

# Chapter 1

## Perspectives on the Historical Evolution of the People Side of Business

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### ABSTRACT

*Determining the direction of where a field is headed often requires a reflection of its founding principles, the transformations it has endured, and the driving forces that shape its existence. For the past century the world has experienced evolutions in technology, business, and education. This chapter provides a historical review of the practices and professions dedicated to the people side of business. The origins of Personnel Management are discussed where the department formed to meet workforce needs. A transformation to Human Resource Management is explored with an examination of the influence of professional societies on practice. The reflection of the progression of this field of practice ends with a list of challenges facing Industrial Organizational Psychology practitioners of the future. A recommendation to rethink the employer-employee relationship with the workforce of tomorrow closes the chapter and hopefully encourages human resource professionals, I/O professionals, and their professional societies to embrace the next requisite transformation.*

### INTRODUCTION

Search current literature, blogs, and conferences relevant to people at work and one will find there are numerous reports indicating a time for change in the Human Resource (HR) department and function. Some predict the department will be eliminated from most firms by 2020. The July/August 2015 issue of *Harvard Business Review* headline read, “It’s Time to Blow Up HR and Build Something New”. Afterwards, panic in the HR professional associations went into full force and the millions of HR professionals in the world are in a fight for self-preservation. For over a decade, HR professionals have been clamoring to have a seat at the proverbial executive table. Once in that position, many did not know how to positively contribute to the organization beyond reporting on their 50-year tradition of filling job openings

DOI: 10.4018/978-1-5225-2250-8.ch001

faster, processing payroll and benefits more economically, and striving to ensure all employees should be treated equally by complying with “check-the-box” training and enforcing policies (McDonald, 2001).

HR professionals have made attempts to learn more about business terminology, setting financial goals, and reporting new metrics to the C-level. It has also been noted that in some cases, the HR department has been moved in the organizational structure to report to the Chief Financial Officer (CFO) which may contribute to the unfortunate interpretation of the phrase “People are our most important assets” to literally being something owned versus a philosophy that employees bring the most value to the firm. Transforming the HR department to a metric-driven cost center is obviously not the answer to people or talent management as the war for talent continues to be a major topic of concern around the world (Ulrich, 2015).

The Society for Human Resource Management (SHRM) published a study in 2012 investigating what HR practitioners thought the challenges facing their profession would be over in the upcoming decade. Results reported that retaining and rewarding the best employees was first on the list. Asking what their HR competencies needed to be is reported in this order: Business Acumen, Organizational Navigation, Relationship Management, and Communication Skills (SHRM, 2012). Similarly, Silzer and Cober (2010) conducted a study of Industrial Organizational Psychology practitioners to determine what they perceived to be important for the future of practice in their field. The conclusion was that they would be considered the gurus of talent.

The insinuation that many of the talent management functions now managed by human resource professionals might be moving to another field of practice has created alarm among the millions of HR professionals and has created increasing interest from business leaders. As in other professions, external forces have been the catalyst to begin this transformation of practice in both human resources and industrial organizational psychology. To better understand the current transformative opportunities for those that wish to be the talent experts, a clear understanding of the historical progression and relationship of the people management function over time is investigated beginning with its creation. The purpose of this chapter is to outline a brief historical summary of the people side of business and introduce contemporary challenges facing business leaders as these professions collide.

## **BACKGROUND**

### **Personnel Administration**

Some might argue that the function of human resources dates back to prehistoric days where consistent methods of selecting tribal leaders have been documented (Rotich, 2015). Others prefer to recognize the origins in the Chinese employee screening techniques used between 2000 BC and 1500 BC and still others claim the first human resource function was documented with the Greek practices of developing and implementing an apprentice system (Beagire, 2004). Modern historical reports tend to note the beginnings of this functional department to be related to the growth of large factories during the British Industrial Revolution during the 19th-century. This revolution brought a demand for rapid hiring practices and record keeping for a large employee population (Boudreau & Ramstad, 2009). According to the Trustees of the British Museum (2016), during this time, “Children were sent to work in factories, where they were exploited and ill-treated; women experienced substantial changes in their lifestyle as they took jobs in domestic service and the textile industries, leaving the agricultural workforce and spend-

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