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MANAGEMENT
Cases and Readings

Fred E. Schuster

Contemporary Issues in Human Resources Management

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To Elizabeth, Fritz, and Hilary
with love and thanks

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PREFACE

Over the last few years a number of companies have been discovering a relatively untapped opportunity for increasing productivity and profits. The source of these additional profits is company resources which do not appear on the balance sheet and which often go unrecognized by top management.

These hidden resources are the company's human resources. How is it possible for valuable resources to be unrecognized? Simply because many managers have grown accustomed to thinking of the workforce as a necessary cost of production rather than a company asset representing a sizable investment. The fact is, however, that many companies which take the trouble to add up their total investment in human resources (including costs of recruitment, selection, training, and development) are shocked to discover that their investment in human resources is greater than their investment in physical resources.

Some companies making this discovery have come to the conclusion that such valuable resources need to be managed and utilized at least as carefully as the company's physical resources.

Companies that have begun viewing their human organizations as *resources* have started searching for better ways to utilize these resources and to realize their full potential. They have discovered a whole new technology for managing and utilizing human resources which has evolved over the last 10 years. This technology has the same potential impact as automation or the new information technology. While much of the potential of automation and information technology has already been realized, however, we

have only begun to apply the new technology of human resources management.

Relatively few companies have truly begun to think of (and to manage) their human resources as though they were an investment and only a handful of these companies have been at it long enough for the results to be clear. Evidence is beginning to mount, however, that the payoff from this approach can be well worth the effort and cost. Firms pioneering in the use of this approach, such as Texas Instruments, Xerox, Donnelly Mirror, and Harmon International have already demonstrated that careful attention to human resource management can have tangible results appreciated by hard-headed businessmen and stockholders.

Because major management changes can more easily be introduced in smaller organizations, some small companies are achieving outstanding results. Increases in individual productivity of 50% while startling, are not uncommon when companies begin to *manage* their human resources.

On the basis of the accumulating evidence, it appears that human resources technology is going to have a major impact on business during the next two decades. Companies that begin to manage their human resources will forge ahead while others will find they are unable to remain competitive.

What is the source of this competitive advantage which lies within human resources management? It is the harnessing of untapped potential for commitment to the goals of the organization. The approaches for doing this come primarily from the results of behavioral science research.

This research has tended to show that many employees, perhaps most, in the typical company contribute less than 50% of what they potentially could contribute to the success of the organization. The research also tends to point out that much of

this opportunity for contribution (to company goals) is lost for reasons beyond the control of the individual employee, but well within the control of top management. Most of this lost contribution of effort can be traced, in one way or another, to the concept of motivation.

On the other hand, we have also found that motivation is not something that can be done *to* somebody or even *for* him. Motivation, involvement, and commitment to company goals can come only from inside the individual. Management can only create the conditions which make it possible for the individual to commit, to involve, and to motivate himself. But all too often, these conditions are lacking.

The technology of human resources management, then, consists of creating those conditions within the organization which make it possible for individuals to contribute 100% (or nearly so) of their potential value to the organization rather than 50%, or 40%, or even less.

Human resources management may be viewed by some as "idealistic," but it is as realistic as dollars and cents can be. It is a difficult, time-consuming approach to implement, but its widescale adoption is inevitable, as the adoption of automation and information technology were inevitable, because the American economic system places a premium on performance and "whatever works."

The application of human resources technology will represent the most significant challenge to management over the next decade. As a result, the need to combine this new knowledge and the traditional approaches to manpower management is apparent.

This book is designed for a graduate/advanced undergraduate survey course in Human Resources Management for *line managers*. It brings together the key concepts of labor relations, personnel administration, and organization development in an integrated systems approach. This sys-

tems approach to human resources management, as opposed to the traditional division into separate functions, is emphasized throughout the book.

The book assumes that the student is already acquainted with recent contributions to management thought from the behavioral sciences through a course in Organizational Behavior. In situations where this is not the case, a readings book in organizational behavior will be a valuable supplement.

New challenges and advances are coming rapidly in each of the subsystems of human resources management. The author has attempted to reflect in both the readings and cases many of these changes which have already been incorporated in the practice of the best-managed, most progressive organizations. Among such newer approaches covered in this book are the following:

- the *systems* approach to the management of human resources
- new governmental requirements (EEO, OSHA, ERISA)
- the cafeteria approach to compensation and benefits
- the assessment-center approach to selection and placement
- new work schedules such as flexi-time
- organization development
- human resource accounting
- productivity bargaining (Scanlon Plans) and labor-management cooperation

A course of this type involves the learning of attitudes and skills as well as concepts. The author's experience has led him to believe that the most effective material for this kind of learning is a combination of text material providing an introductory framework; readings from original sources which represent the most provocative recent thinking; and timely cases, role plays,

and in-basket exercises which provide an opportunity to become personally involved in applying the concepts and ideas discussed. This book includes such a balanced mixture.

It is intended as the text for a graduate/advanced undergraduate survey course for students planning careers in human resources management as well as for students specializing in other areas or in general management. The book is also designed to

serve as the basis for management development seminars in Human Resources Management for practicing line managers.

The objectives of this book can be summed up best in these words of Peter Drucker: "In the better use of human resources lies the major opportunity for increasing productivity. . . . Management of men should be the first and foremost concern of operating management; rather than the management of things."

Table of Contents

Preface, v

Part One: The Evolution of Human Resources Management

1 Human Resources Management for the Last Quarter of the Twentieth Century, 3

Case:

Bupp Manufacturing Corporation, 11

Readings:

The New Psychological Contracts at Work, 19

Work in the Year 2001, 23

GM's Quality of Work Life Efforts... An Interview with Howard C. Carlson, 29

Quality of Working Life: What Is It? 39

The Rearranged Work Week: Evaluations of Different Work Schedules, 46

All About OSHA, 56

How Will ERISA Affect Your Pension Plan? 75

Comment on the Bakke Decision, 78

Understanding Section 503: What Does It Really Say? 82

Analysis of Uniform Guidelines on Employee Selection Procedures, 84

2 A Systems Approach to Managing Human Resources, 99

Case:

Harman International Industries, Inc., 103

Readings:

Employee Relations: Where Will It Be in 1985? 108

Personnel Directors Are the New Corporate Heroes, 113

Participative Management at Work, 119

Part Two: Implementing Subsystems of Human Resources Management

3 Staffing, 131

Case:

Unwanted Publicity at Forest Park Corporation, 132

Readings:

Pre-employment Assessment: A Systematic Approach to Selecting New Employees, 135

Using Assessment Centers in Smaller Organizations, 137

4 Organization Development, 143

Case:

Datavision (A), 144

Readings:

Organization Development Objectives, Assumptions, and Strategies, 163

Advances in Research on Organization Development: Toward a Beginning, 178

A New Strategy for Job Enrichment, 186

5 Compensation, Benefits and Other Rewards. 203

Cases:

Northern Can Company—Compensation Challenge for the 1980s (A), 205

Northern Can Company—Compensation Challenge for the 1980s (B), 208

Northern Can Company—Compensation Challenge for the 1980s (C), 222

Donnelly Mirrors, Inc., 222

Readings:

Introducing Cafeteria Compensation in Your Company, 247

Workers Can Set Their Own Wages—Responsibly, 258

Employee Benefits Average \$90 a Week, 261

6 Labor Relations and Collective Bargaining, 264

Cases:

Lordstown Plant of General Motors, 265

Gaston & Dunston, Inc.—New England, 272

Collective Bargaining in the Sunshine (The Unionization of a State University System), 295

Readings:

Labor-Management Cooperation Today, 304

The Scanlon Concept: Its Capabilities for Productivity Improvement, 313

The Scanlon Plan: Causes and Correlates of Success, 318

7 Communication, 337

Case:

One Manager's Challenge, 337

Readings:

Communication: An Alternative to Job Enrichment, 338

Communication Revisited, 343

8 Training and Development, 356

Case:

Forest Park Corporation, 356

Reading:

Management Training and Post-Industrial Apologetics, 361

9 Performance Appraisal and Requiring, 372

Cases:

A Management Dilemma, 373

Douglas Paper Company, 375

Readings:

The Impact of EEO Legislation on Performance Appraisals, 386

A Contingency Framework for Performance Evaluation, 394

Performance Appraisal and the Law, 404

10 Information Systems, Organizational Analysis, and Control, 411

Case:

Microtronics, 412

Readings:

Improving the Effectiveness of Survey Feedback, 434

Human Resource Accounting: A Managerial Tool? 438

A Guide for Building a Human Resource Data System, 444

11 Managing by Objectives, 454

Cases:

Delta Corporation, 455

Watertite-Florida Company (A), 456

Watertite-Florida Company (B), 466

Readings:

Making MBO Effective, 479

Management by Objectives: Where We Stand—A Survey of the Fortune 500, 488

Part Three: Comprehensive In-Basket Exercise in Human Resources Management

12 Fairmaster Corporation Exercise, 495

Part One

The Evolution of Human Resources Management

Chapter 1

Human Resources Management for the Last Quarter of the Twentieth Century

In the 1970s a number of simultaneous changes in the business environment called unprecedented attention to the importance of the human resources management function. These environmental pressures included a recession in the United States, greatly increased foreign competition in many of America's traditional markets, and a halt for the first time in the steady rise of worker productivity per man hour. While these pressures were inter-related and tended to reinforce one another, they were also to some extent independent.

The total impact of these forces dramatized the importance of human resources management. Executives began to recognize that human resources hold the key, not only to the survival of the individual firm, but also to the survival of the American economy.

Although these environmental forces converged and had their greatest impact in the 1970s, the pressures had been building for years. Furthermore, these environmental forces will continue to push industry in essentially the same direction for the next twenty years. It seems certain that these forces will continue to play an important role in calling attention to and increasing the importance of the human resources management function for the remainder of the twentieth century. Therefore, before suggesting some of the probable responses in human resources management, let us examine more carefully some of these fundamental environmental pressures.

ENVIRONMENTAL PRESSURES—PRODUCTIVITY

Perhaps the most fundamental factor was the change in the rate of increase in productivity. Much of America's industrial success and, in fact, much of our managerial philosophy, has been built on the assumption that productivity will always continue to increase. This was essentially true, in fact, from the time of the early industrialization of the United States until the 1960s.

A serious slippage in the rate of increase in productivity per man-hour began, however, in the mid-1960s. During the 1960s the rate of increase in productivity in the United States was in the vicinity of 3 per cent per year. While this was lower than the historical average in the United States, and far lower than competing nations such as Japan and Germany, the 3 per cent figure in the '60s was generally viewed as a problem to be solved rather than as an impending disaster.

Toward the end of the '60s however, the rate of increase slowed even more and was near zero by 1973. It again fell sharply in 1974, resulting in a virtually unprecedented *decline* in productivity per man-hour. Although the severity of the decline may have been due *in part* to the recession under way in 1974, the long range trend makes it obvious that declining productivity is a long term problem to be dealt with.

With improvement in the economy, productivity improved slightly during 1976 through 1978. But in the first half of 1979 it fell sharply, resulting again in an absolute decline in productivity. Meanwhile, output per man-hour in Japan and Germany has continued to increase, making the U.S. less and less able to compete in many of its traditional markets.

One gauge of the critical nature of this change is the fact that the U.S. Steel Corporation began to sponsor advertisements in major business publications calling for the creation of an American Productivity

Center devoted to increasing our nation's productivity per man-hour. It was proposed that the center focus on improving the nature and quality of work, including increasing motivation, dignity, and personal participation in the design of work.

Of course, it is not a simple matter to measure productivity once we decide to do so. There are some enormous technical difficulties involved in trying to measure productivity accurately.

Although it is relatively straightforward to measure the productivity of blue-collar workers, it is much more difficult to measure the productivity of service and knowledge workers. As we pay increasing attention to measuring and stimulating productivity, it will be necessary to answer through research such questions as: (a) How do we measure the productivity of a research and development worker who is paid to think and create? (b) For that matter, how do we measure the productivity of teachers or symphony conductors, or policemen?

While it is fairly simple to measure the output of these three occupations with some gross volume measures, how do we go about measuring the more important dimension of quality? In fact, the productivity crisis the United States is now facing may well be far more serious than the numbers reflect. This is because the quality of many goods now being produced may be significantly less than the quality of comparative goods produced a few years back.

There is every reason to believe that this productivity problem is going to be a continuing one. While the 1974–1975 recession stimulated a rapid decrease in per man-hour productivity, the long term downward trend appears to have more fundamental causes. A number of studies, such as a Department of Health, Education, and Welfare study entitled *Work in America* (Richardson, 1973) and a report of the American Assembly Seminar (Columbia University, 1973), have pointed to the qual-

ity of working life and the lack of fundamental satisfaction in jobs as the underlying causes of the productivity crisis.

Both reports, which involved business, labor, and government leaders in the fundamental research, concluded that there are major changes taking place in American life that present both a threat and an opportunity in relation to industrial productivity. The consensus of both reports was that a major part of the solution to this problem must lie in an attempt to restructure and improve the quality of working life and the opportunity for workers to receive increasing satisfaction of such higher level needs as recognition, participation, autonomy, responsibility, and self-development.

While in the short term it is necessary to view this productivity crisis as a threat, it is also true that for the remainder of the twentieth century, this crisis will underlie a continuing realization of the importance of the human resources management function. This is so, because a more effective management of human resources seems to be the best hope for stopping the slide in productivity.

Human resources managers will have an unprecedented opportunity to have the ear of top management if they can propose concrete solutions to these real problems.

One example of the potential for solving productivity problems through the more effective use of human resources is seen at Kaiser Aluminum's plant in Ravenswood, West Virginia. Maintenance costs and tardiness fell when this company removed time clocks and permitted workers to supervise themselves and to decide what machines to service and when (Thompson, 1972). Significantly, this program was implemented within the labor contract with no resistance from the union (United Steel Workers of America). The conclusion from this experiment in improving productivity was "the big part of the answer to productivity improvement . . . is the process

known as job enrichment. Upgrading the man and his job and improving productivity go together." Kaiser Aluminum also concluded that in the particular maintenance function studied, there was a significant improvement in the quality of maintenance, uptime improved significantly, and maintenance costs went down 5.5 per cent. Supervisory costs also decreased because a number of supervisory positions could be eliminated since the workers now had more responsibility.

Walton (1973) suggests eight criteria for evaluating the quality of working life in a particular organization:

1. Adequate and fair compensation
2. Safe and healthful working conditions
3. Immediate opportunity to use and develop human capacities
4. Future opportunity for continued growth and security
5. Social integration in the work organization (by which he means membership in supportive work groups marked by patterns of reciprocal help, social-emotional support, and affirmation of the uniqueness of each individual)
6. Constitutionalism in the work organization (by which he means such basic rights as privacy, free speech, equity, and due process)
7. Work and total life space (i.e., the balanced role of work defined by work schedules, career demands, and travel requirements that do not take up leisure and family time on a regular basis)
8. The social relevance of work life

These eight criteria for the quality of work life represent an excellent framework for designing human resources management policies to improve productivity. Efforts in this direction represent the future of the human resources management function.

THE CHANGING WORK FORCE

It is widely recognized that the culture and social order of the United States have undergone drastic change during the decade of the 1960s and the early 1970s. Not surprisingly, since the work force is merely a portion of the total society, these changes in the values of society at large have been reflected in changing values among the work force.

Since more and more people in our society are graduating from high school, going to college, and receiving advanced degrees, the work force is increasingly being made up of highly educated and sophisticated employees. This general statement is true at all levels of the work force. More and more managerial employees each year have advanced degrees such as the master of business administration; more and more engineers and research and development employees have master's degrees and PhDs; but equally important is the fact that more middle managers and first level supervisors have college degrees, and blue-collar workers just joining the work force increasingly have high school diplomas (or a few years of college).

Moreover, the work force is becoming more knowledgeable generally and more sophisticated because of its exposure to the media. This increasing sophistication is both an advantage to management and a challenge. As society becomes better informed it also tends to become more critical, less accepting of authority, and more cynical.

This change in attitude has clearly been reflected in the work force. Workers, particularly younger workers, are increasingly inclined to challenge management's judgment, to be increasingly cynical about the decisions made by superiors, and to be increasingly resistant to authority. Whether we are referring to executives, middle and first line managers, or blue-collar workers, it is generally true that the or-

ganization man of the '50s has given way to the rebel of the '70s.

This is a direct result of higher levels of education and sophistication, and thus represents an opportunity to management more than a threat. It is an opportunity because higher quality human resources are potentially more productive human resources, if they can be directed toward the organization's purpose.

One of the complexities of managing human resources over the next twenty-five years will be the problem of dealing with a work force that has a mixed set of values rather than a homogeneous set of values. The degree to which work force values have changed has varied somewhat by age group, though this is a rough generalization which has many individual exceptions. By and large, younger workers have more quickly reflected the changed values of society at large. Compared to older workers, they are relatively more distrustful of authority, relatively more cynical, and expect more satisfaction of higher level needs from their work. Older workers tend to reflect more the earlier values of society and are, therefore, more inclined to be organization men, to accept authority, and to seek primarily the satisfaction of lower level needs at work.

This statement is supported by a research study done by Altinus and Tersine (1973). This study investigated the job satisfaction level of young blue collar workers. The younger workers were found to be significantly lower in satisfaction with the work itself and lower in total satisfaction. The perceptions and satisfactions of the young were quite different from their older counterparts. The study, which administered an attitude questionnaire, collected demographic data, and surveyed workers' perception of need satisfaction for several different age categories of workers, concluded that "a positive lineal relationship was found between age and job satisfaction." "Under 26 workers exhibited dissat-

isfaction with the esteem and self-actualization variables on the job that was greater than the oldest group." The study also concluded that younger workers tend to try to meet higher level needs on the job, whereas older workers consider social factors on the job more important.

Thus, one of the complications for the human resources manager of the 1980s will be attempting to deal with the different values, motivations, and needs of different segments of the work force. This is, of course, only another example of the need for a contingency approach to management policy and practice.

Among the changed values of the work force that have become dramatically apparent in the 1970s is a general decline in the work ethic. There was a time in our culture when most people believed that work was inherently good. It had meaning and value in its own right.

Few would deny that belief in the dignity and value of hard work represents a fundamental part of the American heritage which made the affluence of our present society possible. It was the ethic of a frontier society, and it is clear that the frontier work ethic is increasingly giving way to the consumption ethic of an advanced society. Where our cultural values once stressed equality of opportunity and the value of hard work, it appears that increasingly, members of our society are demanding equality of results rather than equality of opportunity. Whether one agrees or not, it is a clear pattern of our society to place less responsibility on the individual and to assume a greater responsibility on the part of society at large for providing a minimum standard of living and a constantly increasing standard of living for all members of the society.

Another important change in the work force which impacts management strategy is the shifting balance between manual workers and knowledge workers. During the 1970s the U.S. economy passed a signif-

icant milestone when manual workers who earn their living by job skill became outnumbered for the first time in any society by knowledge workers, whose work depends on mental skills rather than physical skills and whose productivity is directly related to formal education. Drucker (1973) has pointed out that "This historic shift in the nature of work makes Theory Y a necessity. The knowledge worker simply does not produce under Theory X. Knowledge has to be selfdirected; the knowledge worker has to take responsibility."

Another fundamental change is the tendency for larger and larger portions of the work force to identify primarily with their profession or occupation rather than with their employer. As the level of training increases it seems to follow naturally that workers begin to identify as members of a particular professional group or occupational group. They become more loyal to the norms and values of that professional or occupational group than they are loyal to their individual employer.

This has at least two immediate results. First of all, the work force is more mobile due in part to the lessening of the ties with a particular employer.

Another result is what Meyer (1976) refers to as the increased tendency toward "whistle blowing." Meyer means the tendency of both workers and executives to call public attention to the actions of their employer when they feel that these actions violate the employee's professional standards or individual ethical standards. While this phenomenon has received relatively little attention, it may well grow in significance to management. Since there has been a flood of human resources oriented legislation (for example, OSHA and the many civil rights laws) during the 1960s and 1970s, this particular change in the work force is potentially a powerful threat.

Related to this increased tendency toward "whistle blowing" is the desire for increased participation in decision making,

increased control over job factors, and a greater voice in how the company is run. This appears to be a fundamental change in the expectations of the work force related to underlying social change. As such, it appears to be a long term trend which must be responded to in designing human resources management practices. This trend will remain an important one throughout the last quarter of the twentieth century.

Another fundamental trend is the increasing frequency of mid-life career changes. It is becoming common for individuals (both managers and blue-collar workers) to make dramatic shifts in their career pattern. Executives enter the priesthood, engineers and scientists go into small businesses unrelated to their technical training, and blue-collar workers leave their trade to go to college and a new professional career. Undoubtedly, the increased frequency of mid-life career changes is due to a number of underlying factors already discussed.

Of particular importance, however, is the fact that such mid-life career changes are increasingly accepted by society. Dramatic changes in life style which only a few years ago would have been the subject of intense gossip, if not outright rejection, are now accepted without a passing comment.

The increased acceptance of midlife career changes combined with the greater knowledge requirements of most occupations has led to the rapid development of a new view of education as a lifetime pursuit. The rapid development of company sponsored training and development programs, the increased attendance of both blue-collar and managerial workers in part-time college courses while employed, and the pursuit of MBA degrees in the evening by experienced executives all attest to the dramatic change in attitude of the work force toward lifetime education.

This trend will surely increase in intensity. By the end of the 1980s most members

of the work force will no longer make a distinction between education and their employment. Virtually all members of the work force will simply take for granted that they will go to school part time while they are working.

Another fundamental trend which may continue for some years to come is what Miner (1974) refers to as the decline in motivation to manage among the younger generation. Miner suggests that this decline in motivation to manage reflects a rejection of the authority role in organizations. If this trend continues there is likely to be a shortage of managerial talent sometime in the 1980s. It is entirely possible that this managerial shortage may be as serious a challenge to survival of the organization as the productivity crisis represents in the 1970s.

Another probable development over the last quarter of the twentieth century will be increased incentives (and later increased pressure) for business organizations to employ and train under-qualified members of the work force. Whether the organization elects to wait for social pressure to force such a program, or whether it elects to exhibit social leadership by creating such programs voluntarily, over the next twenty-five years most managers of human resources will likely find it necessary to create programs for a growing portion of the work force which will come into the company under-qualified for entry level jobs, without either the basic intellectual skills or social skills that employers today take for granted.

This is a long run inevitability because of fundamental changes in social attitudes toward employment. A report of the American Assembly Seminar sponsored by Columbia University in May, 1976 to consider "Manpower Goals for American Democracy" reflected strongly the increasing sense that employment is a right of all members of our society (whether or not prequalified), and the provision of employ-

ment opportunities to unqualified individuals is a social obligation of employers.

THE CHANGING ROLE OF HUMAN RESOURCES MANAGEMENT SPECIALISTS (TODAY'S "PERSONNEL DEPARTMENT")

The Personnel Department, as it exists now, will no longer exist in the late 1980s in any but the smallest of organizations. Human resources management specialists (the staff experts in human resources) will either take on a radically different role from that currently performed by the typical personnel department, or they will cease to exist as a staff organization. This new role will be one of possessing expert knowledge to serve as internal consultants to line management in the areas of growing technical difficulty such as selection, motivation, organization development, compensation, and management by objectives.

In the 1980s and beyond, the staff specialists in human resources management will be called on less and less for routine maintenance functions such as keeping employee records and conducting orientation programs, but there will be an increasing demand for expert advice and counsel to busy line managers. This role can be assumed by human resources specialists only if they become as much of a technical expert in managing human resources as the organization's engineers, accountants, and finance officers are technically expert in their function.

For a number of reasons, however, the 1980s and 1990s will represent a time of unparalleled opportunity for the real experts in human resources management to be recognized as major contributors to the performance of their organizations.

CONCLUSIONS

Among the fundamental trends which will provide increased importance to the

human resources management function are the following:

1. The increasing realization of top management that in an era of declining productivity, human resources really are the organization's most important asset. Top management will expect the human resources specialist to be more active in solving the real management problems of the company, and will come to expect a more meaningful bottom-line contribution.

2. Pressure on the economy springing from declining productivity in the United States co-existent with rapidly increasing productivity in Japan, Germany, and other competing economies.

3. Social changes in the American culture which have led to a new set of values among Americans generally and specifically among members of the work force.

4. The rising expectations of members of the work force with regard to the possibilities for satisfying higher level needs as well as lower level needs at the work place. Coupled with this is increasing resistance to the role of authority, and an increasing desire for participation in the decision making, control over job factors, and a voice in how the organization is run.

5. The flood of legislation in the 1960s and 1970s (particularly OSHA and equal opportunity legislation).

These changes in management philosophy and the environment will exert pressure toward the following changes in human resources management:

1. Human resources management specialists will tend less and less to be individuals who spend their entire careers in this field. An increasing proportion of human resources specialists will be managers who are spending a part of their career assigned to this specialized function. Often these will be seen as key developmental assignments for high potential executives being groomed for top management positions.

This trend will develop because of the increasing realization that human resources management is an integral function of line management and, therefore, an important training stop for executives being developed for high-level, general management positions. The human resources management function will increasingly be looked upon as a profit center in the organization with opportunity for generating incremental profit, thus it will command the best executive talent the organization has to offer.

2. As the human resources department takes on its new role as internal consultant to line management, some specialists will also take on the role of staff behavioral scientist. One of their key duties will be bringing the latest ideas from research and theory in the behavioral sciences to the organization and translating these ideas for line executives in very practical and operational terms. The human resources department will be charged with infusing the latest scientific techniques for effectively managing human resources, just as the research and development department is charged with bringing the latest developments of technology into the organization. The human resources management specialist will simultaneously be viewed as a member of the total management team, as an internal consultant to all levels of management, and as a source of expertise.

3. Because both of these developments call for higher skills (general management skills and technical skills in the behavioral sciences) human resources specialists will be better educated and more experienced. Advanced degrees in general management (MBA degrees) or advanced degrees in the behavioral sciences will become commonplace. Perhaps the top human resources specialists will combine MBA degrees with advanced degrees in the behavioral sciences.

4. Increased attention will be paid to fitting the various subfunctions of human resources management to organizational