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THE HUMAN RESOURCES FUNCTION

BY E. WIGHT BAKKE

Sterling Professor of Economics and
Director of the Labor and Management
Center, Yale University

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Yale University

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No one can deny that there are a lot of differences between 19th and 20th Century management practices. If an industrial Rip Van Winkle were to wake up today after a sleep of 100 years, one of the differences he would notice would be the use of such phrases as "human relations," "human engineering," "personnel approach." It would be clear that the use of such terms reflected a greater attention to the human factors in business and industrial activity than was the case when he rolled over and went to sleep 100 years ago.

But he probably would be puzzled by the number of caustic and sarcastic criticisms of this emphasis, criticisms from labor leaders, managers, professors of administration, and a host of professional decriers of "carrying things too far." As one who was familiar with the fairly frequent disregard of human values by a large number of managers a hundred years ago, our Rip Van Winkle would be inclined, I suppose, to assume that any indication of increasing concern for people in the business and industrial world was a good thing, some advance at least toward a more civilized life. I certainly would make that assumption and am beginning to wonder if all the warnings against, and outright denunciations of, the human relations approach indicated by such titles as, The Elite and the Aborigines, Freud Go Home, Contented Cows' Management, Silk Gloved Power, Sophisticated Union Busting, etc., are not the result of a misunderstanding of what the kind of management which stresses human values is all about.

Almost from the very beginning, at least after there were labels like "human relations" and "the personnel approach" to take hold of, some folks have been having a field day as critics. I have the impression that it is becoming more popular nowadays to join the "they can't pull the wool over my eyes" school. Some of the criticisms are understandable enough if one adopts the particular critic's major premises. Take the reactions of certain trade union leaders, for instance. In their view, and they say, in their experience, management generally isn't interested in people but first of all concerned about

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WASHINGTON, D.C.

TO THE PRESIDENT AND VICE PRESIDENT OF THE UNITED STATES OF AMERICA
FROM THE DIRECTOR OF NATIONAL SECURITY AGENCIES
SUBJECT: [Illegible]

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production and profits. That's why unions are necessary to watch out for the interests of the people. Besides most managements would just as soon not have the unions around at best, and would like to bust the union at worst. Well, if you start off from that premise, and run across any managerial action which apparently does indicate a genuine interest by management in people beyond what they are forced to have because the union is around, there are only a couple of possible explanations. Either that management has figured out a subtle way to make workers more willing to do what management wants them to do, or they are attempting to bust the union by indirect methods, by showing the workers they don't need a union. I don't see any reason to deny the possibility that such a sophisticated indirect approach is used by some employers who accept unions as a penance for their own and other manager's sins, and accordingly would like to reduce the amount of irritating managerial practices that they believe led to unions in the first place and to their continued survival. If that is the real managerial objective, they help to justify the Trade Union leaders' suspicions.

The managers who like to take pot shots at the interest in "human" relations are in many cases folks who don't want to be considered "softies." They are not necessarily of the "hard-boiled - no fooling around - discipline is good for you - you've got the stripes, tell 'em" school, although some of them at times talk suspiciously like one would expect a fellow like that to talk. Their premises have something to do with "the necessity of sticking to essentials," "cutting out the frills," and "getting down to the brass tacks of running a business." The most conservative of these managerial critics are concerned about the fallacies of a "be good to the guy" approach. Their position is, "human relations is all right, BUT." On occasion one will run across the type of position revealed by the following comment, "I don't want to have anything to do with all this damned human relations nonsense. It's about time we learned that work is work. It's not management's job to play nurse maid. Their job is to tell folks they hire what to do and how to do it, and when you've paid a fellow for the work he's done for you, that's that."

Then there are those in the camps of both management and trade unions, as well as academic circles, who base their criticism on moral premises. They resent the fact that a study and understanding of people can become a more sophisticated and powerful instrument of manipulation and even exploitation, which, of course, is an entirely possible outcome.

There must be something pretty much off the beam with a lot of human and personnel and industrial relations practices to arouse such criticism from both sides. And the question I want to raise here is whether all this criticism is really relevant if we could agree on a common-sense idea of what the human resources function in a business or industrial operation really is. It is just possible that the trouble lies in the distorted perception people have of this kind of managerial activity. In any case, the content of the managerial activity they are talking about doesn't jibe with the conception which I like to call the human resources function of management and which I'd like to discuss with you tonight.

You, who are practitioners, may find that conception impractical. I hope not, but I know you'll say so, if you do. I approach the matter, of course, not as a practitioner but as a student of organization. I'm not a professional personnel or human relations man, nor do I teach subjects, or do specific

research which makes me an acceptable member of the academic fraternity of human relations people. But as a student of organization, I'd like to offer a comment or two about what I'm going to call the human resources function in organized activity. I would like to think that the way of looking at this function I'm about to propose would reduce some of the heat in arguments about whether human relations "pays off," or is a "humanitarian frill," or is an indirect union busting campaign, or is just a sophisticated power grab by the managerial elite.

Human Relations Not a New Function

The first thing that we ought to be clear on is that there is nothing new about the managerial function of dealing with people. Dealing with people, figuring out what makes them tick, arranging conditions and rewards and punishments so that they tick better, maintaining and developing their capacities, has been a part - an important and not neglected part - of the managerial function from the first day that some men tried to direct the activities of other men. Like other sub-functions of management, such as engineering, production, sales, finance, etc., it has been carved out of the general managerial function, not put into it.

To be sure, personnel and industrial relations is one of the latest to be carved out from the general function of management and assigned to executives whose titles reflect those functions. For that reason the nature of the function, its significance, purpose, and scope are not as well defined and understood as in the case of engineering, production, sales, etc. Those charged with responsibility for its conduct are therefore in some cases not clear as to the framework of objectives, expectancies and requirements within which they operate.

But the point I am making is that all specific managerial functions such as engineering, production, finance, sales, etc., are covered in the general function of management and, if not carved out and specifically allocated to particular people, are still the responsibility of the general manager. That's the first point in a common sense approach to this problem. Human relations, industrial relations, personnel relations, are just new names for an aspect of the general managerial function as old as management itself.

To Manage is to Manage Basic Resources

Now, if that is the case, then the activities connected with such specific functions, including the human resources function, will be determined by the character of management's traditional and continuing job in connection with any and all of its functions.

The general types of activity in any function of management, whether it be production, sales, engineering, finance, or what you will, grows out of the fact that the general job of management is to use resources effectively for an organizational objective. Those resources are basically six in number: money, materials (i.e., plant, equipment, raw materials), people, ideas, market, and, in some cases, nature.

Every manager will recognize the nature of the managerial functions associated with conducting such activities in relation to some of these resources. For instance,

<u>The functions of:</u>	<u>are related primarily to the resource</u>
Production, plant and product engineering, and some aspects of industrial engineering	Materials
Financing, budgeting, etc.	Money
Marketing, promotion, and some aspects of public relations	Market
Research, design, development engineering, etc.	Ideas
Conservation	Nature

The function which is related to the understanding, maintenance, development, effective employment, and integration of the potential in the resource "people" I shall call simply the human resources function. That name is used not just to be different or to avoid confusion with preconceptions of what other terms like "personnel administration," or "human relations" or "human engineering" or "industrial relations" mean, but purely and simply because it describes more accurately than any term I can think of the nature of this function in relation to other managerial functions.

Neglect of attention to, or lack of success with respect to the functions dealing with any one of these six resources leads, in the long run, to the failure of an organization to accomplish its objectives. For example, let us assume adequate knowledge, maintenance, development, utilization, and coordination of all the above resources related to money, materials, people, ideas, and nature, but not to those related to the market. Is there much doubt as to the consequences for the whole organization? Or let the weak function be that related to money (financing), or materials (production and engineering). One weak functional area weakens the whole. The chain is no stronger than its weakest link. It is just as dangerous for that weak link to be related to attention to the resource, people, as to the resources of money, materials, or market.

The point of view expressed here is that "people" as an organizational resource is at least equally important with the others, and that ignorance, neglect, waste, or poor handling of this resource has the same consequences as ignorance, neglect, waste, or poor handling of money, materials, or market. The position taken is not that human resources require more, or better, or more costly attention than the others, but that they require equal attention of the same systematic and objective character as that devoted to the other resources. Attention to human resources is required not because managers are humanitarians, but because they are managers. Just as attention to materials is required not because managers are materialists, but because they are managers.

What it Means to Manage Resources

I said that the general managerial job is to manage these six resources effectively to attain an organizational objective. What does that mean with respect to each and every one of these resources of money, materials, market, people, ideas, and nature? It means:

- a. To know thoroughly, objectively, and realistically the nature, potentialities, and limitations in the resource, and the conditions of its employment.
- b. To maintain and conserve that quantity and quality of the resource which is adequate to the organization's needs.
- c. To develop to the fullest possible extent the potentialities in the resource.
- d. To employ or utilize effectively the resource to the optimum degree in the organization's activity and work.
- e. To weave together the efforts with respect to each resource so that an organized and integrated total result is obtained.

To understand, to maintain, to develop, to employ or utilize, and to integrate these resources into a working whole are the tasks of management which suggest the types of activities management must carry on with respect to each of the resources.

What I'm trying to stress here is that the general types of activities associated with finance, production, development engineering, sales, and personnel and industrial relations are the same. They have an organizational similarity. They are in each case tasks related to (1) discovery and understanding, (2) the maintenance and development, (3) the utilization and employment, and (4) the integration of the resources, money, materials, ideas, market, and people respectively. The difference in the specific tasks grow out of the fact that a different resource is dealt with, not in the general nature of the managerial function.

Management's Human Resources Tasks

Now just to make this matter a bit clearer, let's classify some of the tasks normally associated with the human resources function into these four general types.

First, what are the tasks related to,

A. Discovery and Understanding of Human Resources and of the Forces and Factors which Condition Their Effective Employment.

To obtain and have readily available accurate information about the skills and capacities possessed by people in the company.

To evaluate continuously the abilities and performance of employees and management at all levels, and have these evaluations available whenever decisions relative to personnel must be made.

To obtain and have available accurate information about the reaction of employees, and management at all levels, to company policy and practice, about their needs and demands, and to appraise the significance of such human reactions and needs for the company's operations.

To understand the way people react, and why, to attempt to motivate and discipline them; in other words, the psychological conditions for the encouragement and assurance of productive and profitable work.

To maintain contact with, and understanding of, those who are key norm-setters for employees, including management, and, if there is a union, with the local, district, and national union leaders whose will and disposition affect the results of collective bargaining and the administration of the collective agreement.

To make studies relative to incentives, wages, hours, working conditions, fringe benefits in the industry and area and evaluate the company's position relative to these.

To keep track of labor legislation, both protective and regulative, and its interpretation, and to appraise the consistency of company practice with respect to this, both as to letter and spirit.

To keep abreast of local and national social welfare and labor trends, and to interpret the significance of these trends for the company's operations.

To keep abreast of findings from outside research and practical experience as to the nature, potentialities, needs, and reaction tendencies of people of the sort employed by the company at all levels.

Then there are tasks related to:

B. Maintenance and Development of Human Resources

To ascertain what the short run and long run labor force requirements (numbers and skills) of the company are.

To analyze available sources of labor supply inside and outside the company in the light of requirements for personnel.

To recruit, screen, and select candidates for positions in the company.

To introduce and orient new employees.

To develop and administer procedures for transfer, promotion, demotion, layoff, and discharge.

To develop and help to implement procedures for reduction of turnover, absenteeism, tardiness, etc.

To organize and administer training and development programs for employees and management at all levels with the objective not only of improving present performance, but of providing a roster of potential candidates for positions with enlarging responsibilities. (Includes executive development both through internal programs and external cooperation with schools, colleges, and management associations.)

To set up and administer health and safety programs provided by the company either unilaterally or by agreement with the union.

To set up and administer those fringe benefit programs established by the company, or jointly by company and union, for the protection and security of, or service to the company's people (in cooperation with the union where the program is subject to collective bargaining or the grievance procedure.)

Before we turn to the third type relative to the employment and utilization of human resources, I wish you would fix your attention on one thing, I have not said who should perform the human resources function. I've just been saying there is such a function that has to be performed. Particular parts of it may be amenable to performance by specially appointed personnel officers. Parts of it are performed in partnership with union officers. But you will notice now that most of the following tasks have to be performed by line officers of the company. In other words I want to make it clear that I am trying to define the human resources function, whoever performs it. I am not trying to define the personnel or industrial vice president's job, although when it comes to defining his job, the various aspects of the function will form the framework for naming the specific tasks he engages in. But let us continue with the third group of human resources activities, that is those tasks related to

C. The Effective Employment of Human Resources

To plan, formulate, keep up-to-date, and implement a human resources policy appropriate to each level of managerial responsibility and authority.

To formulate long and short range goals and plans for development and improvement in personnel and industrial relations, indicating schedules for implementation, and the budget, manpower, facilities, etc. required.

To analyze and define jobs and organize work and work assignments in such a way that a maximum number of people's abilities are discovered, developed, and effectively employed. (The foundation for all human relations practice.)

To provide wise assignment of people, to provide leadership, supervision, and control for their work.

To arrange incentives to, and rewards for work so that the greatest possible motivation to productive work is provided all participants, and to evaluate the effectiveness of such incentives and rewards. (Includes wage and salary administration.)

To provide for just discipline and correction of mistakes.

To settle satisfactorily the grievances and complaints that arise at all levels in the course of work and relations at work.

To provide opportunities for upward communications, for contribution of facts and ideas essential to adequate planning, and for making suggestions about more effective work, improvement of morale, elimination of waste, reduction of lost motion and conflict, better cooperation, etc.

To carry through union-management relations (including negotiation and administration of the collective agreement) in a way advantageous to all concerned, company, workers, union, and the public.

To keep track of, appraise, and evaluate periodically the effectiveness of the implementation of this policy, these measures, and to report such evaluation in an annual report to the President and officers of the company.

To ascertain, make known to top management, and control the cost of the human resources program and its results to the company.

Finally we may consider those tasks related to

D. Integration of Human Resources with Other Resources

To assist in the establishment of integrating goals and standards for operations of the company as a whole.

To assist in the establishment and keeping in continuous operation of effective mutual communications between people at different levels, people concerned with different functions.

To contribute to major decision-making in all areas of company operations an understanding of the human factors and needs affecting, and affected by, these decisions and operations. (For instance, in case of major technological, methodological, organizational, product, or locational changes.) In other words, to represent the human resources interest both in decision making, operations, and evaluation of results.

To keep management people who perform other managerial functions (production, sales, engineering, etc.) informed on policy and practice in the personnel and industrial relations area, and to help them interpret the relevance of these policies and practices for their activities and responsibilities.

To participate on behalf of the company in all intra- and inter-company, associational, community, and governmental relationships where the human resources function and interest is a major concern or issue.

Misconceptions of the Human Resources Function

Anyone who is familiar with the literature of personnel, industrial, and human relations will recognize many of the specific tasks named as those included under listings of the functions of a personnel or industrial relations administrator. Is then this description of the human resources function just given merely an arbitrary regrouping of the personnel administrator's tasks? Does the present organization of these items have any significance or value which the traditional grouping of personnel tasks does not have?

Allow me to draw several conclusions from the foregoing discussion which I trust will indicate such significance and value.

If one defines the human resources function in that way, there are certain commonly held ideas about the function which are obviously misconceptions. If anyone tried to set up and carry out a human resources function with these misconceptions as a foundation, he might easily do something which would lead to the criticisms mentioned at the beginning. Consider some of these misconceptions.

1. That this human relations business has standards of its own by which it should be measured, separate and distinct from the other functions of management.
2. That such functions are the most recently added luxury gadgets which can be afforded when times are good but are expendable in case of a business slowdown.
3. That the major concern of personnel work is to make the employees happy and keep them satisfied.
4. That the function is a sort of "welfare" work, designed to compensate folks for the unpleasant and disagreeable nature of work and for having to work for someone else.
5. That the only people who are the focus of the personnel efforts are the non-supervisory hourly or weekly paid employees. It is something carried out by management for the workers.
6. That the job of dealing with the "human problems" of the company's operations is primarily one for the personnel and industrial relations department and its staff.
7. That in a human relations program it is frequently necessary to choose between putting the interests of the company or the interests of the people first, whether to be production or worker centered.

Correction of These Misconceptions

Consider how these misconceptions fare when we look at them in the light of the approach we have taken.

1. In the first place it should be clear that this human resources function occupies no position of special privilege. It is going to have to meet the same standards as all other functions of management. What are those standards? There are conditions that are absolutely essential for even minimum performance of a company producing goods and services for a profit.

- a. That the function with respect to every resource be conducted so that the organization operates in the black, certainly in the long run, and as far in the black as its leadership and ownership demand as a condition of their continued participation.
- b. That the resource (whether it be money, materials, market, ideas, or people) continues to yield at least the minimum contribution required to achieve the above result. (In the case of people this means "motivated to continue to offer at least the minimum effort required to achieve the above result.")

But there are additional conditions applicable to the management of each and every basic resource if optimum results are to be obtained. Among these can be named the following:

- a. That the possibilities and potential in the resource not be wasted, that all possibilities and potential are discovered, understood, maintained, developed, utilized, and integrated effectively.
- b. That the company's operations with respect to each resource jibe with the values and ethical standards which people essential to the company's success believe are important. (Reference is made to such people, both inside and outside the company.)
- c. That participation in the work of the organization in dealing with each resource, offers a real challenge to the abilities and skills of every person involved, whatever his position.
- d. That the essential goals and policies which the leaders set up are pointed toward the future and take realistic account of the tendencies of the times which, although in certain cases unwelcome, are factors that must be dealt with.
- e. That all practices connected with the function shall reduce disadvantageous, and encourage advantageous, action toward the company from people and organizations outside, as well as inside the company.

2. In the second place, the approach taken here should demonstrate that the activities associated with "human relations," "human engineering,"

"personnel administration," are not recently added gadgets or luxury items which can be afforded only if the "really important" functions of sales, production, engineering, and financing are operating smoothly and profitably. They are necessarily carried out as soon as an organization begins to operate and have been carried out in some manner in any organization ever set up. A glance over the tasks named will indicate that no one of them is a superfluous item. Each one of these tasks is necessarily performed by someone in a company. The performance may be adequate or inadequate. But some effort in the area of each of these tasks must be made, or some result of previous effort accepted as a basis for further action. The question is not whether each task shall be carried out - but how adequately and effectively it will be carried out. From the point of interest of the chief executive who must necessarily make decisions, and initiate and control operations utilizing all the company's resources, the need for informed and capable judgment and action about the human resources is as great as the need for informed and capable judgment and action about the material, financial, and market resources. One is tempted to add, "even greater," for the human resources must be utilized in the understanding, maintenance, development, utilization, and integration of all the others.

3. The chief and central concern of the human resources function is not personal happiness but productive work, and the cooperative relations of people at work, and the providing of the possibility of using and developing a maximum part of everyone's abilities and capacities in that productive work. The implied responsibility of management in this area is not to make people who are employed by the company "happy." Their responsibility is to know, maintain, and develop the people available, and provide organized work arrangements that will make possible the maximum possible employment of the qualities and skills people possess. The main objective, in other words, is productive work and the maximum opportunity for all the company's people to utilize to the fullest possible extent all the skills they have relevant to making that work more productive. It is my conviction that personal happiness, as well as company effectiveness, is promoted by this approach to the human resources function. But that is a by-product, not the chief objective of effort.

4. Included in the function are not merely welfare activities and those designed to compensate people for the disadvantages of work, not merely specialized "personnel" and "labor relations" functions, but the human resources aspect of every working relationship between people in company. The human resources function goes far beyond welfare activities designed to compensate people for frustrations they feel in working for others. It has to do with the organization of work itself, and of relationships at work. The chief objective is not to compensate people for the monotony, unpleasantness, or burdens of work, but, in one sense, to reduce the need for such compensation by improving the work process, work associations, and work opportunities themselves.

5. The people who are to be understood, maintained, developed, employed, and integrated include every person in the organization at all levels, not just the hourly or weekly paid employees. The human resources function is not to be identified solely with something called "employee relations," meaning those things which management, or the union for that matter, does to, for, or with the "employees," as "employee" is customarily defined. The human resources of a company consist of every person participating in the company's activities, up to and including the chief executive. The discovery, understanding, maintenance, development, employment, and integration of all people and their work at all levels is the human resources function.

6. The tasks in the human resources function carried on by employees of the company are necessarily performed by all in the company who supervise the work of others, not just by people labelled with personnel or labor relations titles. Indeed, the primary relation of the latter staff people to the line people is that of planning, advising, assisting, and coordinating. It will be noted that I made no indication in this discussion of who should be assigned the tasks. It would, of course, appear reasonable, in view of the importance of the function, that a senior officer of the company, occupying a status equivalent to heads of engineering and production (materials), finance (money), and sales (market), should be charged with leadership and report to the same executive officer as these others whose major responsibility involves knowledge, maintenance, development, and utilization of any other major resource.

But the problem of assignment of tasks is the subject for another discussion. At this point there is advantage in leaving the matter with the clear impression that the task is too big for any one man or department, and, since it is concerned with the organization of work, relationships at work, and facilities for work, that the ultimate decisions as to policy and practice, and the implementation of these decisions must be carried through by those responsible for the directing of that work, that is, by line officials. If a special officer is assigned to guide and oversee the company's human resources function, he must work through these line people. He must advise, encourage, motivate, and develop them.

Any person primarily responsible for understanding, maintaining, developing, and utilizing effectively the company's human resources must consider himself an advisor to, a teacher of, and an assistant for those who direct the productive work which it is the company's mission to accomplish.

When there is a union in the company, it must also be realized that line management carries out its basic human resources functions within a framework of expectancies, controls, and other activities of the union. It is possible for some managements to look on the human resources activity of the union as cooperation. Others consider it competitive. But whatever it is labelled, it is clear that the union, as well as the human resources officers in management, are participants with line management in carrying out the human resources function.

7. The focus of concern for all human resources effort must be the simultaneous achievement of the central and essential interests of the company and its people. The end in view is always to develop an approach to the relation of the company and its people such that the attainment of the objectives of each through the relationship is not incompatible with the attainment of the objectives of the other. This does not mean that they have the same goals. Note that well. What I said was that the attainment of the objectives of each should not be incompatible with the attainment of the objectives of the other.

8. A function of these dimensions and significance, and calling for cooperative effort from all line supervision in every department, must have clear and unequivocal top management support and be guided by top management policy. And because the union is involved at many points, it must have acceptance also from the union to be most effective.

Conclusion

We've ranged over a lot of territory and it is time to summarize briefly the main points made.

My purpose has been to describe the human resources function as something which, like the finance, production, engineering, sales functions, grows out of organizational necessity, not the personal whims, humanitarianism or Machievelian schemes of management.

I have classified the tasks related to that function as those related to the understanding, maintenance, development, employment, and integration of one of the basic resources of a company - its people. And I want to stress that one can classify the tasks in the sales function, the finance function, the production and engineering function as those related to the understanding, maintenance and development, employment, and integration of the particular resources they deal with, namely, market, money, and materials respectively.

When these tasks were so classified, several things became clear about this human resources function:

1. The human resources function has no special privileges; it must face the same tests of organizational usefulness and effectiveness as any other function.
2. It is not a recently added gadget or luxury, but a function that has to be covered from the very beginning of an organization. It is carved out of the general managerial function, not put into it.
3. Its objective is not to make people happy, but to achieve productive work and arrange for the maximum opportunity for expression of the full range of people's abilities and capacities in that productive work.
4. Its activities are not designed to ccompensate people for the frustrations, inevitably associated with work and working for others, but to organize that work and relations at work so that the need for such compensation is diminished.
5. The people it seeks to understand, maintain, and develop, employ, and integrate are not just the workers but every one in the company, including the president.
6. The tasks in the function are necessarily performed basically by those who supervise the work of others with the help and assistance, each in its own way, of the human resources officers on the one hand and (if the workers are organized) the union on the other.
7. The aim of a human resources policy and practice is not to make the interests of the company and the interests and goals of its people identical. It is to arrange work and relations of work so that the achievement of the goals and interests of each shall not be incompatible with the attainment of the goals and interests of the other.

It has not been my purpose in setting forth this concept of the human resources function and its implications to eliminate criticism of the "personnel approach," or "human relations" programs. I wouldn't do that if I could, because that critical activity is good for all concerned. But I would hope that this way of looking at the problem would make it possible for those with responsibility for developing this aspect of organizational effort and their critics to focus more clearly on the essential issues, and therefore to profit more from their relationship with one another.

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