

ECONOMIC FOUNDATION OF HUMAN RESOURCE DEVELOPMENT

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Summary

Several theories have been proposed to be the foundation of the Human Resource Development discipline (HRD) including psychological, systems and economic theories. The intent of this paper is to address the relationship between economics and HRD and the theoretical influence of the economics on HRD. Economics is examined in context of the two major strands of HRD— personnel training and development and organization development. And, HRD is examined in context of two major economic theories— human capital theory and the theory of the firm.

1. Introduction

The examination of the theoretical foundations of Human Resource Development (HRD) has received more attention in the recent years than over the last two decades. Several reasons can be identified in this quest—among others, the need to consolidate and advance as a discipline, the debate over the research paradigm, and the changing role of HRD professionals in the field. One distinguishing feature, however, is the tremendous influence the environment is exerting over the discipline. In contrast to what other disciplines may be experiencing, HRD is regarded as highly influential by

several conditions affecting both the society as a whole, and the organizations in particular.

HRD has been redirected due to the economic expansion, the fast technological changes, and the ways systems appreciate and use resources (other than financial capital) in the workplace. In the 1970s and 1980s, and even the early 1990s, the training component of HRD was primarily centered on providing workers with the basic knowledge and expertise to perform their jobs. Now, we could hardly think of HRD in such a limited way—we now talk about HRD as strategic to develop and utilize competitive expertise.

2. Defining HRD and Theoretical Foundations

Over the years, definitions of HRD reflected a limited search for the theoretical core of the discipline. Some authors, for instance, emphasize the link of HRD to adult learning and its theories (Knowles, Holton, & Swanson, 1998). One example is Nadler (1984), who stresses the idea of HRD as being “organized learning experiences” (p. 1.3); or Watkins (1989), that goes beyond and states that HRD fosters “work-related learning capacity” (p. 427). In the same way, some would highlight the behavioral changes due to education or training; or the humanistic perspective, stressed by Sredl and Rothwell (1987) when they state that HRD is for “the betterment of the human condition through integration of organizational goals and individual needs” (p. 3).

In a different perspective, McLagan (1989a) provides a rather structural vision of the discipline, clearly influenced by the systems theory. Her HRD definition is based on the components and its final objective: “HRD is the integrated use of training and development, organization development, and career development to improve individual, group, and organizational effectiveness” (p. 7). Swanson’s (1995) definition of HRD goes further in the system theory alignment and talks about HRD as “a process of developing and unleashing human expertise.... For the purpose of improving performance” (p. 208).

The difference in the recent years is the emphasis on “improving performance.” In defining HRD. Even though some of those definitions of human resource development included performance as the ultimate goal, it was not until the 1990’s that there was a strong emphasis on performance improvement, and along it, the emerging ideas of learning organization and knowledge management. This shift resulted in a change in the way the HRD theoretical foundations were addressed. Once again, there were fundamental environmental influences provoking this move— in particular, the consolidation of the globalization of the economy, especially after the fall down of the Soviet Union block. This resulted in an increasingly competitive world for investment and commerce; the dramatic change of technology and the fast computerization of several aspects of our lives; and the demographic changes, both in the labor market and in the consumers market.

Those changes renewed the quest for solid theoretical foundations for the field. The basic recognition was that HRD has been constructed upon the contribution of many other theories, and due to changes in the world there was a need to understand those

related to HRD. The question is which theory— or theories. The recent and current debate has focused on this issue. In addition to HRD being a young discipline and its applied nature, a third element present in the debate is that HRD encompasses professional practice mainly in two major areas—personnel training and development, and organization development. The discussion has thus broadened, since each of them have their own dominion.

The recent drive to define the theoretical foundations of HRD started in the 1980s. In 1982 Swanson proposed that the fundamental purposes of the profession were either *financial* or *non-financial*. Gradous provided an argument for systems theory in her 1989 edited monograph. Recognizing the absence of a generally accepted theory that informed HRD as a discipline, the proposition that systems theory formed the most useful underlying structure for the HRD profession was made. In that monograph, contributor Jacobs (1989) put forward a relatively narrow systems theory view of workers and McLagan (1989b) took a more holistic organization-societal view. Other scholars followed the Gradous monograph, most notable is Senge's popularization of systems' theory (1990).

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