From HR to HRD: The Evolution of Human Resources

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Abstract

The human resources (HR) profession has evolved significantly in the past century. This paper discusses the evolution that has led to a transformation of HR, viewed in the traditional role as an administrative business function, to one of strategic partner and internal consultant, creating value for the organization. Also discussed is how HR has transformed into human resource development (HRD) and the components that make up HRD, which include individual development, career development, performance management, and organizational development. The paper concludes with a review of the issues facing the HR profession and why addressing them is critical to creating a high performance organization.
Over the last century human resources (HR) has evolved along with U.S. business (Hankin, 2005). The Industrial Revolution created several challenges related to people, leading to a need for the management of these resources (York, 2005). This led to the creation of the first personnel departments in the 1920’s. Since then the HR function has evolved into a strategic business partner playing a critical role in developing a high performance organization (HPO) (de Waal, 2007). This paper traces the history of HR and how it has evolved over the last 100 years from HR to human resource development (HRD). The paper also discusses the components of HRD and some of the challenges facing HR professionals today and in the future. The conclusion provides a discussion of HPOs and how HR contributes to creating such an organization.

What are Human Resources?

Modern business consists of several types of resources. Gilley, Eggland, and Gilley (2002) describe them as physical, financial, and human resources. Physical resources include the components that make up an organization such as buildings, equipment, machinery, and products. Financial resources consist of the liquid assets of the organization, which include cash, bonds, stock, and other investments. Human resources are the people within the organization. Gilley, Eggland, and Gilley argue that it is hard to measure the value of human resources due to a lack of standard measuring tools, such as those used for quantifying physical and financial resources. The authors also argue that human resources are just as important as physical and financial resources, but with no standard method of quantifying their contribution to the organization they are often overlooked in the summation of the value of an organization.

Regardless of whether one can quantify human resources or not, there is no debating that people
make organizations function, some better than others. Managing and developing these resources led to the creation of HR and its evolution to HRD.

The History of Human Resources

As the Industrial Revolution began to take form businesses were forced to address three major challenges related to people:

1. Managing the sudden increase in the workforce due to industrialization
2. Keeping unions from organizing labor
3. Integrating the massive flood of immigrants into the workforce (York, 2005)

With these challenges facing U.S. businesses, the first personnel departments began to take shape. This new business function was primarily tasked with hiring employees, working with employee welfare issues such as housing and medical needs, setting compensation levels, safety, and training (Jamrog & Overholt, 2004).

During this time period Frederick Winslow Taylor began an effort to divide labor, leading to the creation of what he defined as scientific management. Taylor is best known for his work studying workers and doing time and motion studies, which were used to increase efficiency in the workplace. Aside from his work in efficiency, Taylor also established the foundation for the modern HR profession (Jamrog & Overholt, 2004). Three of Taylor’s concepts form this foundation. Taylor believed that the individual should match the work to be completed as closely as possible. To achieve efficiency Taylor believed the worker must have the mental and physical capacity to do the work, and that over qualified applicants should be excluded from selection. Second, workers need to be trained in the methods of the job and be able to work at a safe pace. The final element of Taylor’s scientific management principles that
helped establish the foundation for the modern HR profession is that an incentive program should be used to ensure workers follow the specified procedures (Taylor, 1916).

With the focus on efficiency and alignment of worker skills matched to job requirements, little attention was given to the needs of employees. From this need came the human relations movement, which has been a significant influence in modern HR management (Jamrog & Overholt, 2004). The most noted study from this movement is the Hawthorne experiment that took place at the Western Electric Company in Chicago. Completed from 1927-1932, researchers conducted several studies. In one of the experiments the researchers studied the effects of illumination on productivity and were surprised to discover that regardless of the illumination level, productivity went up in both the test and control groups. Nothing positive related to illumination and industrial efficiency was learned through the experiments (Roethlisberger, 1941). By simply showing attention to the workers and consulting with them on changes, increases in productivity occurred. The concept that group behavior and the emotions of workers were linked to employee productivity and morale led to significant research in the human relations movement for the next two decades (Jamrog & Overholt).

In 1935 the National Labor Relations Act was passed, which allowed workers to select union representation to negotiate the rights of workers. After the passing of this act the activities by unions increased significantly. This created the need for personnel departments to deal with the task of attempting to keep labor unions out, monitoring their efforts, negotiating with the unions, and ensuring the agreements between the unions and organizations were upheld (Jamrog & Overholt, 2004).

Despite a growing body of knowledge, much of the focus for the personnel departments in the 1940’s and 1950’s was related to employee relations and economic needs of the
organization (Jamrog & Overholt, 2004; Dunn, 2006). In the late 1950’s corporate personnel departments began to take form. Specialized functions such as benefits, labor relations, wages, and recruitment started to establish themselves as key components to the department (Holbeche, 2005).

In the early 1960’s the personnel function was still viewed as primarily administrative with tasks such as record keeping and employee relations, but with the passing of the Civil Rights Act in 1964 their level of importance increased significantly. Lawsuits and settlements related to discrimination began to gain increasing importance for company executives, leading to a heightened awareness for the need of specialization within the personnel departments of many organizations. With the added emphasis on the civil rights of workers and the potential cost to organizations, significant resources were devoted to activities related to compliance (Jamrog & Overholt, 2004).

Through the remainder of the 1960’s and into the 1970’s the emphasis on social and business dynamics created a greater focus on human relations in the personnel department. The needs of both the worker and organization began to change, creating opportunities for the personnel department to make a greater contribution. Training, developing and managing incentive systems, performance appraisal systems, succession planning programs, ensuring compliance with ever increasing government rules and regulations, equal employment opportunity, safety and health, and employee benefits all became part of the evolving personnel department (Rothwell & Prescott, 1998; Dunn, 2006).

Despite making a greater contribution to organizational performance in the 1970’s and 1980’s and transitioning from personnel to human relations, with increasing foreign competition and rising costs many corporate leaders began to view the activities of HR departments as non-
value added burdens on the financial resources of the organization (Jamrog & Overholt, 2004). This began an effort to transition from transaction-focused activities to strategic activities, making HR departments positioned to become partners in fulfilling the strategic needs of the organization. Also taking place during this period was the emergence of human resource development (HRD), which places an emphasis on developing people within organizations (Gilley, Eggland, & Gilley, 2002).

The modern day HR department continues to deal with the transactional based administrative duties they have been tasked with since the beginning of the Industrial Revolution in addition to dealing with the increasing demands created by both employee needs and government regulations, but what has emerged as the primary focus of HR is the need to increase organizational capability (Holbeche, 2005). Ulrich and Lake (1990) define organizational capability as, “a business’s ability to establish internal structures and processes that influence its members to create organization-specific competencies and thus enable the business to adapt to changing customer and strategic needs” (p. 40). To meet the needs of organizations to increase their capabilities HR has begun a transformation to HRD.

From HR to HRD

HRD combines the primary elements of HR, people, with the development of both people and the organization. Gilley, Eggland, and Gilley (2002) refer to development of people as the increase in knowledge, abilities, and competencies with the purpose of improving the overall effectiveness of an organization. This development encompasses the first two areas defining HRD, individual development (ID) and career development. By developing people within an organization, performance improvement, the third element of HRD, helps improve productivity and quality, which create a higher probability of increased financial performance. The final
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Element of HRD is organizational development (OD). Gilley, Eggland, and Gilley describe OD as continuous improvement of an organization’s culture through intervention activities related to the vision, mission, values, policies, procedures, and overall working environment.

For an organization to be competitive and productive a continuous cycle of improvement and change needs to exist. With this, the primary goal of HRD is performance improvement and organizational change (Gilley, Eggland, & Gilley, 2002). Bringing ID, career development, performance management, and OD together as the foundation of HRD, Gilley and Maycunich (2000) define HRD as, “the process of facilitating organizational learning, performance, and change through organized (formal and informal) interventions, initiatives, and management actions for the purpose of enhancing an organization’s performance capacity, capability, competitive readiness, and renewal” (p. 6). To further understand each of the four elements of HRD, an in depth review of each is necessary.

**Individual Development**

The primary focus of ID is placed on individual growth and development through both formal and informal activities (Gilley, Eggland, & Gilley, 2002). Gilley, Eggland, and Gilley state that the purpose of ID is, “to increase employee knowledge, skills, and competencies and/or to improve behaviors in current jobs, at the same time addressing the immediate needs of the organization as well as that of the employee” (p. 30). These types of activities can take place on the job and through formal instructional based learning. In a traditional sense ID is most commonly thought of as training, which is generally linked to learning a specific task or skill. ID goes beyond simple training because it includes all learning activities. Whereas training is most commonly focused at lower level employees, ID is much broader and encompasses employees at all levels of an organization.
The evolution of ID has led to creating learning activities that combine the needs of the organization with those of the individual (Gilley, Eggland, & Gilley 2002). To meet these needs HR professionals need to play several roles within an organization. Gilley, Eggland, and Gilley define the three roles as instructor, instructional designer, and contract training consultant.

In each of the ID roles HR professionals are working to create what Senge (1990) defines as a learning organization. According to Senge, a learning organization can be identified as having five disciplines:

1. Personal mastery that is the result of an individual gaining expertise through training, education, and experience.
2. Mental models made up of values, beliefs, attitudes, and assumptions an individual has and uses to make decisions.
3. Shared vision that is a result of employees in an organization who are in sync with the mission and direction of the organization.
4. Team learning that is a result of working together and respecting one another.
5. System thinking involving a holistic view of the organization’s culture, mission, strategy, and management practices.

Marquardt (1996) furthered Senge’s thoughts on learning organizations defining them as a, “company that learns powerfully and collectively, continually transforming itself to more effectively manage knowledge” (p. 229). Marquardt (1999) later defined learning organizations as having four subsystems:

1. Learning at all levels of an organization including individuals, groups and teams, and at an organizational level is the first subsystem.
2. Organization is the second subsystem consisting of four dimensions that include culture, vision, strategy, and structure.

3. People are the third subsystem, which includes employees, suppliers, customers, and the community.

4. The knowledge system that includes the creation, management, storage, transfer, and utilization of knowledge within an organization makes up the fourth subsystem.

Marquardt (1996) best sums up a learning organization as one in which everyone is driven by a desire to produce quality results through continuous improvement in a culture where all activities can be defined by aspirations, reflection, and conceptualization. By investing in creating a learning organization through ID activities the HR professional begins the process of building a strategy for improving organizational performance.

**Career Development**

While ID is focused on individual short-term results, career development takes a long-term view to individual performance and planning. Gilley, Eggland, and Gilley (2002) define career development as, “an organized, planned effort comprised of structured activities or processes that result in a mutual career plotting effort between employees and the organization” (p. 59). Gutteridge and Otte (1983) suggest that career development is composed of two subsystems that include career planning and career management.

Gutteridge and Otte (1983) contend that career planning is the responsibility of the individual and career management that of the organization. Career planning consists of four sub processes that include choices in occupation, organization, job assignment, and career self-development. Career management also contains four sub processes that include recruiting and selection, HR allocation, appraisal and evaluation, and training and development.
Gutteridge and Otte (1983) describe career planning as a process an individual uses to become aware of their interests, opportunities, and consequences in identifying career goals, and the programming of work and education activities needed to achieve the goals. They define career management as an ongoing process preparing, implanting, and monitoring individual career plans as they relate to the individual’s career plan and the organization’s career system.

The purpose of career development is to help individuals match their interests and needs for growth and development with that of the organization. Walton (1999) contends that career development is a critical tool that organizations can use to increase efficiency and improve employee attitudes related to work, resulting in greater satisfaction. By implementing a career development program focused on long term results organizations encourage employee commitment, improve morale and motivation, and reduce turnover (Gilley, Eggland, & Gilley 2002). In addition to reducing turnover, Gilley, Eggland, and Gilley contend that the primary reason organizations implement career development programs is to develop and promote employees from within the organization, both of which help maintain a positive recruiting image.

One key tool HR professionals can use in the career planning process is the individual performance appraisal. In the traditional sense performance appraisals are used to assess past performance and little emphasis is placed on development activities. Gilley, Boughton, and Maycunich (1999) suggest that instead of referring to these activities as appraisals they should be transformed into development evaluations. Using this approach helps motivate the employee to discuss their career interests and understand how they align with the future direction of the organization. By taking this approach to career development, organizations begin to build a culture of growth, which can lead to improved results (Kotter & Heskett, 1992).
The career development process requires a partnership between employees and the organization. By establishing an open communication process employees can better understand how the needs of the organization fit their career goals, and organizations can better understand how they can work with employees to ensure they achieve personal success, while simultaneously achieving the objectives of the organization.

**Performance Management**

Both ID and career management have a focus on the individual short and long term results, respectively. The other side of HRD, performance management and organizational development (OD) also have a focus on short and long term results, respectively, but from an organizational perspective.

The importance of performance management is a relatively new development in HRD (Gilley, Eggland, & Gilley 2002). Gilley, Eggland, and Gilley contend that performance management is strongly connected to human performance technology (HPT). Fuller and Farrington (1999) describe HPT as a way of identifying barriers to success faced by employees, and the process of removing them to allow improvement, and the full realization of employee potential. Rothwell (1996) describes HPT as a systematic process of identifying gaps in human performance, planning for future improvements in performance, designing, developing and implementing solutions to close the gaps, and evaluating both financial and non-financial results of the implemented solutions.

To be effective at performance management, HR professionals need to be able to define, study, and evaluate systems within an organization. This requires a basic understanding that all systems are comprised of inputs, processes, and outputs that are linked to one another. Fuller and Farrington (1999) describe the human performance system where organizational inputs along
with people and their behavior, result in performance, consequences, and feedback that travels back through the system in a continuous cycle.

By understanding systems within an organization the HR professional can begin to implement performance management systems that foster an environment conducive to continuous problem solving. Gilley, Eggland, and Gilley (2002) suggest that HR professionals are responsible for creating and implementing systems that encourage employee participation in identifying and solving problems leading to increased employee and customer satisfaction. They also suggest that HR professionals are responsible for identifying the competencies needed for each job role within an organization, creating goals and objectives for the organization, and identifying the key outputs for each job function. Additional requirements include developing competency maps, defining performance standards for each job classification, and creating performance measures. A final set of responsibilities include the creation of performance evaluation systems that compare actual results to expectations, identifying training opportunities to minimize the gaps between actual performance and expected performance, and developing incentive and reward systems that support improved performance.

HR professionals have the opportunity to change the future by making a significant contribution to organizational performance through the development of systems that are needed to create a culture of continuous improvement. To do this they will need to step out of the traditional role they are accustomed to. By doing so they will begin to be viewed as a strategic partner in organizational development, further enhancing their contribution to the success of organizations.

Organizational Development
The final component in HRD is organizational development (OD). There are several definitions of OD, but most share common characteristics and only differ in scope and the intention of change (Dunn, 2006). OD requires involvement from all employees to be effective and the support of top management (Conner, 1992; Kotter, 1996), views organizations from a system-wide perspective and includes planned initiatives directed by third party change agents that are ongoing (Burke, 1992; French & Bell, 1995), and focuses on measurable results that are strategically based (French & Bell, 1995; Kotter, 1996; Nadler, 1998).

The primary goal of OD is to improve the performance of organizations (Burke, 1992; Nadler, 1998). OD provides organizational leaders the data they need to establish performance-enhancing activities related to business culture, the competitive environment, and performance systems (Gilley, Eggland, & Gilley 2002). Kotter (1996) suggests that OD helps business leaders make strategic decisions based on an evaluation of the current state and helps determine a path to the desired results. OD is perhaps the greatest opportunity for HR professionals to contribute to the overall direction of an organization.

Gilley, Eggland, and Gilley (2002) believe that many HR professionals fail to see the link between individual development, the “micro” perspective, and OD, the “macro” viewpoint. They contend that the micro view, development of individual’s knowledge, abilities, and attitudes, plays a significant part in achieving the macro objective of OD. They conclude that organizations cannot improve unless the respective individuals who make up the organizational contributors and leaders improve.

The evolution from HR to HRD has put the professionals in these roles, once thought of as simply administrative overhead, into a position in which they can make a significant contribution to organizational performance through the development of individuals, creating
career planning systems that combine the interests of employees with the needs of the organization, establishing performance management systems that foster an environment of continuous improvement and reward positive behavior, and tie all of it together through the strategic development of the organization that is faced with a constantly changing environment challenged to meet the demands of the competitive market place, along with employee and community needs. Never have the opportunities and challenges for HR professionals been greater.

HR Challenges and Opportunities

The modern day working environment is full of challenges and opportunities for the HR professional. To be considered a strategic partner in the battle to improve organizational performance HR professionals will need to identify the problems and implement solutions that lead to improved results. In Kahnweiler’s (2006) research interviewing successful HR professionals, he identified five key challenges.

1. Lack of power
2. Conflicting allegiances
3. Negative attitudes towards HR
4. Overcapacity
5. Job security

In many organizations HR serves people who hold higher positions than they do. This can lead to a challenge of making suggestions for improvement to those they serve (Kahnweiler, 2006). Vosburgh (2007) believes that unlike finance and accounting, who have a basis in legally mandated processes that are fully defined and structured, HR is still an art form with a significant amount of variability in how it is performed. Vosburgh argues that this has allowed finance and
accounting to perfect the transaction side of the function and move onto more strategically oriented areas, whereas HR has done the same with transactional processes, but has not moved on to the strategic initiatives that could result in greater authority. The participants in Kahnweiler’s study, knowing that they lack power in some cases, rely on their expert knowledge and influential power to help drive the relationships with the customers they serve. They also make sure to focus efforts on areas in which the customers they are working with feel are important even though they may not agree with them.

A second challenge identified by Kahnweiler (2006) is the need for HR professionals to serve all levels of employees from the rank and file to executive, which can be a challenge when the relationship between management and workers is adversarial. HR professionals need to realize they cannot make everyone happy, and many of the study participants stated that if they tried to make everyone happy they were not doing their job. Kahnweiler’s participants suggest that one must know their boundaries and what they will and will not do. This comes from a deep understanding of individual beliefs and values. Kahnweiler suggests that HR professionals examine the values and objectives of the organization and ensure they are in alignment with their values and career goals.

The third challenge identified by Kahnweiler (2006), and perhaps most frequent challenge for HR, is the negative perception many employees have of HR and those who work within the function. This viewpoint can come from HR as being seen as simply administrative overhead and the bottleneck that keeps employees from getting their jobs done, both of which one could argue are based on past behavior of HR employees. To reduce the negative perception of HR Kahnweiler’s participants suggested HR professionals become students of the business by taking an interest in the key issues facing managers. By doing so HR professionals will begin to
better understand how they can contribute to helping solve the problems of the organization. Another common theme among the participants is to attend industry trade shows to help educate them in the issues facing the industry.

There is little argument that all professions are being asked to do more with less to meet the objectives of the organization, and HR professionals are no exception. A fourth challenge Kahnweiler (2006) uncovered is an overwhelming workload facing HR professionals. One simple, yet effective, strategy used by participants is to say “no” more than they say “yes” when being asked to take on additional workload. HR professionals have to know their boundaries and what they can and cannot do with the time they have. Taking on too much responsibility will likely lead to a lack of results. HR professionals need to know their capacity and the impact of potential assignments in order to select the ones that will have the most benefit to the organization.

The final challenge Kahnweiler (2006) discusses is the vulnerability the HR profession has related to job security. Kahnweiler suggests that the reason for this vulnerability is due to the difficulty in quantifying the results of HR work. This has been an ongoing challenge for HR, and Kahnweiler’s work has not uncovered the solution to the problem, but the study participants offer some strategies that can be used to reduce the vulnerability. One consistent strategy offered is educating the organization that not everything that impacts organizational performance is measured. Kahnweiler suggests that there are many intangible activities that have a direct result on performance, and HR professionals need to ensure there is a clear understanding of these activities throughout the organization. Some of the participants also discussed working on quantifiable projects, such as safety initiatives, and even taking on assignments outside of HR in a line position such as sales or operations to increase their value to the organization.
Kahnweiler and his research participants present a number of challenges and strategies that most business professionals would likely agree with, but the problem still remains that HR activities are largely unquantifiable in relation to the bottom line results of an organization. Jamrog and Overholt (2004) believe that for HR professionals to truly be considered strategic partners a new measurement of HR performance is needed. To evolve into a strategic partner Jamrog and Overholt argue that HR has to establish a new metric-organizational effectiveness.

Jamrog and Overholt (2004) describe organizational effectiveness as a measure of how well organizations achieve their mission through strategic initiatives. The problem Jamrog and Overholt suggest is that HR is typically measured on just the output of their activities such as headcount, turnover rates, time to fill open positions, and training completed. The traditional measures of HR are not focused on what matters most to organizations; the impact investments have on meeting the organization’s strategic plan. If organizational effectiveness is a measure of how well strategic initiatives are being met, Jamrog and Overholt argue that HR, to be considered a strategic partner, must measure their impact on organizational effectiveness and how well they are meeting the strategic needs of the organization.

There is no agreed upon single metric to measure organizational effectiveness, but researchers, consultants, and academics are creating ways in which organizational leaders can increase effectiveness (Jamrog & Overholt, 2004). Some of the methods for measuring effectiveness include searching for the correlation of HR activities and business performance (Huselid, Beker, & Ulrich, 2001), identifying the connection between human capital and shareholder value (Pfau & Kay, 2002), and research defining factors that separate high performing from average organizations (Collins, 2001). The sooner HR professionals begin
measuring their impact on organizational effectiveness the more likely they will begin to be viewed as strategic partners in creating and sustaining a high performance organization.

The Role of HR in High Performance Organizations

In his research of the literature revolving around organizations that outperform others, de Waal (2007) identifies several characteristics in which HR professionals can have an impact in creating a high performance organization (HPO). A HPO is defined by de Waal as an organization that achieves better financial results than its competitors over a longer period of time by adjusting and reacting to changes, strategically managing through the integration and alignment of the organization’s structure, continuously improving core competencies, and viewing employees as the most valuable asset.

In the compilation of the literature reviewed by de Waal (2007) he identified and ranked 40 common characteristics of HPOs. While HR professionals could arguably contribute to each of the characteristics, two of the top five present the greatest opportunity to contribute in the creation of a HPO. These include creating a learning environment and designing an effective and fair reward and incentive system.

As previously discussed in relation to HRD, HR professionals have the opportunity to create a learning environment through both formal and informal individual development activities. These initiatives are the foundation for creating a learning organization with a culture focused on identifying gaps in performance and implementing solutions to close them.

Reward and incentive systems are also the domain of HR professionals, as previously discussed in relation to performance management and HRD. HR professionals are in a unique position to develop incentive and reward systems that are linked to organizational objectives.
There has never been a better time for HR professionals to be viewed as strategic partners, and de Waal’s research clearly defines the link between HR and performance.

The question remains will HR step up to the challenge? The opportunity exists for HR to increase its value to the success of an organization, but questions still exist as to whether they are capable of taking on the task presented to them. If they succeed in seizing the opportunity, HR will begin the transition of being viewed as simply an administrative function, contributing only to overhead costs, to that of strategic partner, driving initiatives that lead to bottom line results.
References


