

# EVOLVING TERMS OF HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

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## Abstract

The term HRM and HRD has been used by scholars, academics and practitioners. However, confusion arises on the terms or labels for HRM and HRD and its position in management function. The purpose of this paper is to examine the evolving terms in human resource management (HRM) and human resource development (HRD). Based on a review of the literature, this paper draws the concepts surrounding the terms in human resource management and development. The findings highlight that the terms HRM and HRD have evolved along with globalization and rapid technological advances. Due to these changes in the environment, new terms are seen to be necessary to describe new ideas, concepts and philosophies of HRM and HRD. Currently, and in the near future, new terms will emerge to describe the philosophy of HRM and HRD. This paper suggests a need for practitioners to understand the various terms describing HRM and HRD before it is used in organizations rather than to use new terms to describe old ideas or functions of HRM and HRD.

**Key Words:** human capital, training, management, development

## INTRODUCTION

Human resources are an organization's greatest assets because without them, everyday business functions such as managing cash flow, making business transactions, communicating through all forms of media, and dealing with customers could not be completed. Human resources and the potential they possess are key drivers for an organization's success. With globalization and technological advances, today's organizations are continuously changing. Thus, organizational change impacts not only the business but also its employees. In order to maximize organizational effectiveness, human potentials, individuals' capabilities, time, and talents must be managed and developed. Hence, the practice of human resource management (HRM) and human resource development (HRD) works to ensure that employees are able to meet the organization's goals.

Globally, the term HRM and HRD has been used by scholars, academics and practitioners. However, confusion arises on the terms or labels for HRM and HRD and its position in management function. The term for HRM has been understood as the only word to represent and explain the management and development of human resources from the point of recruitment to compensation and rewards through to career management and development to the point of retirement. Hence, it is pertinent to examine the terms that evolved around the management and development of human resources in organizations. In order to achieve this objective, it is important to examine the difference in terms for HRM and HRD, the history or starting point for HRM and HRD, their relationships and the up-coming terms used to refer human resource management and development.

## WHAT IS HRM AND HRD?

In order to examine the terms differentials for HRM and HRD, first, it is pertinent to examine and understand the definitions for HRM and HRD. Many definitions for HRM have been proposed by scholars from a short and simple definition to a lengthy and comprehensive description. In short, HRM is best understood as the “*process of managing human talents to achieve organization's objective*”. The process of managing human talents is said to include the process of recruitment and selection, compensation and benefits, labor and industrial relations and also the management of employees' safety and health in organizations.

On the other end, numerous definitions for HRD have been proposed by researchers and writers. These definitions varied from the perspectives of an individual researcher or theorists to definitions of HRD by country. In addition, theorists have even tried to define HRD from a global and international perspective. Indeed, many definitions have been suggested; even before the emergence of

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HRD in 1970s through today. A definition by Nadler and Nadler in 1970s described HRD as “a series of organized activities conducted within a specified time and designed to produce behavioral change” through training activities. The latest definition by Desimone, Werner & Harris (2002) for HRD was defined as “a set of systematic and planned activities designed by an organization to provide its members with the opportunities to learn necessary skills to meet current and future job demands”. These systematic and planned activities are said to include training and development, career planning and development, performance appraisals and management and change management for organizational development. In the context of professionals, this activity is termed as continuing professional education and development. To all intents and purposes, the continuing professional education and development activities are the same as in training and development but it is labeled differently directed to professionals’ education and development.

**Table 1: Comparison of HRM and HRD**

<b>HRM</b>	<b>HRD</b>
<p><b>Definition:</b> HRM is a <u>process</u> of managing human talents to achieve organisation’s objective”</p>	<p><b>Definition:</b> HRD is a series of <u>organized activities</u> conducted within a specified time and designed to produce behavioural change</p>
<p><b>Process:</b></p> <ol style="list-style-type: none"> <li>1. Recruitment and selection,</li> <li>2. Compensation and benefits,</li> <li>3. Labor and Industrial relations</li> <li>4. Safety &amp; Health management</li> </ol>	<p><b>Activities:</b></p> <ol style="list-style-type: none"> <li>1. Training and development</li> <li>2. Performance Appraisals Management</li> <li>3. Career planning and development</li> <li>4. Change Management</li> </ol>

Academicians and practitioners have been debating as to whether terms such as HRD and HRM describe new concepts or are merely new terms for existing concepts (Armstrong, 2000; Legge, 2005). However, Sambrook (2001) claimed that neither the debates nor the phrases or terms are new. Hence, the notion of debating on these terms as old concepts for new terms is nothing new. Having seen the difference in the terms for HRM and HRD, it is also important to examine the history or emergence of HRM and HRD

### **HISTORY AND EMERGENCE OF HRM AND HRD**

#### **Human Resource Management**

The history of HRM is said to have started in England in the early 1800s during the craftsmen and apprenticeship era and further developed with the arrival of the industrial revolution in the late 1800s. In the 19<sup>th</sup> century, Frederick W. Taylor suggested that a combination of scientific management and industrial psychology of workers should be introduced. In this case, it was proposed that workers should be managed not only from the job and its efficiencies but the psychology and maximum well-being of the workers. Moreover, with the drastic changes in technology, the growth of organizations, the rise of unions and government concern and interventions resulted in the development of personnel departments in the 1920s. At this point, personnel administrators were called ‘welfare secretaries’ (Ivancevich, 2007).

Some scholars argued that HRM is said to have started from the term ‘Personnel Management’ (PM). The term ‘PM’ emerges after the World War in 1945 as an approach by personnel practitioners to separate and distinguish themselves from other managerial functions and making the personnel function into a professional managerial function. Traditionally, the function of PM is claimed to ‘hire and fire’ personnel in organizations other than salary payments and training. But there were many criticisms and concerns of ambiguity expressed about the purpose and role of PM to HRM (Tyson, 1985) in that management planned HRM activities, and did not just respond reactively to different circumstances and situations, but in some cases, to demands of trade unions. In part to reflect these, none outline approaches to the management of employees in the mid 1980s. Therefore, the term HRM gradually tended to replace the term PM (Lloyd and Rawlinson, 1992). However, writers argued that the term HRM has no appreciable difference from PM as they are both concerned with the function of obtaining, organizing, and motivating human resources required by organizations. At the same time, writers are defining the terms HRM and PM in many different ways (Beer and Spector, 1985).

The rebranding for the term PM to HRM was argued as due to the evolvement and changes in the world of management and therefore a new term would seem appropriate to take new ideas, concepts and philosophies of human resources (Noon, 1992, Armstrong, 2000). Indeed, some writers commented that there are 'little differences' between PM and HRM and it has been criticized as pouring 'old wine into new bottle' with a different label (Legge, 2005). Whether HRM was considered to be different to personnel management – there is a continued debate on the meaning and practice of HRM as opposed to that of PM (Marchington & Wilkinson, 2002; Legge, 2005).

### **Human Resource Development**

The origin of HRD was suggested to have started in the USA during the advent of the Industrial Revolution in 1800s. But some writers argued that the roots of HRD emerged in 1913 when Ford Motor started training its workers to produce mass production in the assembly line. However, a significant historical event was suggested during the outbreak of World War Two in the 1940's as it was during this period that workers were trained to produce warships, machinery, and other military equipments and armaments (Desimone, Werner and Harris, 2002). Unlike Desimone et al (2002), Blake (1995) argued that HRD could have started a century later, in the early 1930s and its roots emerged from the concept of organization development (OD). On the other hand, Stead and Lee (1996) contested that the historical starting point of HRD was during the 1950s and 1960s when theories on employees' developmental process was popularised and published by organizational psychologists such as Argyris (1957), McGregor (1960), Likert (1961) and Herzberg (1959). Hence, Stead and Lee (1996) believed that the development of human resources in an organization far encompasses merely 'training' but also motivation and development as suggested by organisational psychologists (Blake, 1995). This was supported by other writers, for instance, Desimone et al (2002) said that during 1960s and 1970s, professional trainers realised that their role extended far beyond classroom training and they were also begun to be required to coach and counsel employees. Realising, this extended role, Nadler introduced the term HRD in 1970s and it was placed under the big structure of human resources with the function of selection and development of employees under the term HRD (Blake, 1995). Subsequently, in early 1980s, the term HRD was approved by the American Society for Training and Development (ASTD) because they believed that training and development competencies expanded to include interpersonal skills such as coaching, group process facilitation and problem solving. And by then, organizations realised that human resources are important assets and emphasis was placed in investing in training and education for performance improvement to increase productivity and business success (Desimone et al, 2000).

In the UK, Harrison (2000) argued that the historical development of HRD is more fragmented compared to the US. The history of HRD in UK was suggested to have started during World War Two in which 'training' was the symbiotic term. Similarly to the USA, during this period, training was the term because workers were trained in the production and manufacturing sector as well as becoming soldiers. The emergence of HRD began in early 1980s when the manufacturing industry was hit by a recession and a strategy was required to overcome the crises especially in multinational companies. Companies began to realise that human resource is an important asset and started developing their employees particularly to improve their performance and develop or enhance their skills to increase productivity. Since then, HRD is considered as an important business strategy and processes (Harrison, 2000) but viewpoints of HRD as a strategy for business success were argued by writers such as Garavan, Costine and Heraty (1995).

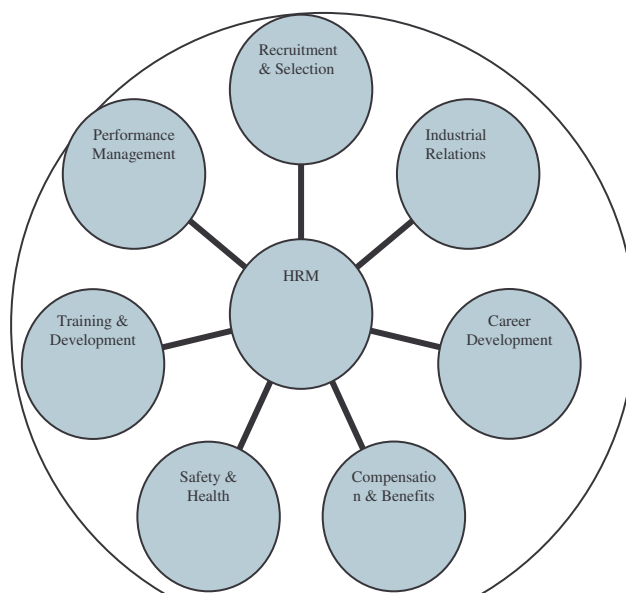
In Malaysia, HRD could have started as early as 1980s. The historical development and emergence of HRD in Malaysia lacked empirical evidence, the development of HRD during this period was not very clear and focused. HRD may have started when the Commonwealth Countries Secretariat began developing the Human Resources Development Group (HRDG) in 1983 with the intention to assist the ASEAN countries in developing its human resources (Commonwealth Report, 1982:32; Commonwealth Secretariat, 1993). And in 1984, the ASEAN countries, including Malaysia being part of the ASEAN Pacific Rim commenced their proposals in providing assistance in developing human resources particularly, in education, training and skills development for new technology (Hashim, 2000). It may be argued that the emergence of HRD could have started during the mid 1970s when the Government began developing the Bumiputras' in businesses to improve economic disparities (Malaysia, Government, 1971), or it may have started like the UK, during the economic recession in 1985 as it was during this period that the Government began its aggressive drive towards manufacturing and industrialisation (Malaysia, Government, 1991). However, clear evidence was seen

when the Government of Malaysia began to include HRD strategies in the country's development plans and policies in 1991 in the Second Outline Perspective Plan (OPP2) and the Sixth Malaysia Plan (6MP). One of the main thrusts of these plans is to become a fully industrialised nation with skilled and knowledge-based workforce by year 2020 (Malaysia, Government, 1991). Nevertheless, it could be argued that HRD could have started even before Malaysia's independence, when workers migrated from India to work in the tin-ore mining fields and oil palm plantations.

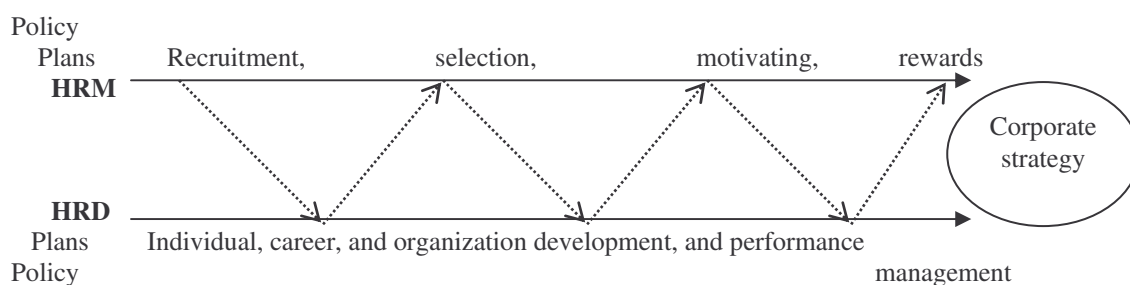
**The Relationship of HRM and HRD**

Traditionally, some writers suggested that HRD is a component of HRM in which HRD supports the HRM function in employees' training and development and the notion of training and development fitting in or integrated with HRM as in the 'HRM's wheel' (Guest, 1987) as seen in Figure 1 below. All the four components of HRD, namely; training and development, performance appraisals and management, career planning and development as well as change management components was advocated as positioned under the 'umbrella' or function of HRM along with other components such as recruitment and selection, compensation and benefits, employee and industrial relations as well as safety & health.

**Figure 1: HRM's Wheel**



**Figure 2: Parallel pathways of HRM and HRD** (Developed from McGoldrick & Stewart, 1996)



However, due to the role ambiguity and responsibilities of the HRM function, HRD has been repositioned to describe its function in supplementing HRM rather than supporting. Thus, a parallel pathway also known as the parallel nexus of HRM and HRD was introduced. McGoldrick & Stewart (1996) posited that HRM and HRD are parallel pathways of HRM and HRD because of their similarity and emphasis on the elements of corporate strategy. The parallel pathway as suggested by McGoldrick and Stewart (1996) is usefully understood by Figure 2. HRM has the function of recruitment, selection,

motivating and rewarding, whilst, HRD's function is to provide learning, education and training to the human resources selected and recruited. It is clear that both the HRM and HRD pathways have their own sets of plans and policies, as well as functionality support in the corporate strategy.

### **Human Capital Management and Development**

The present and current scenario has seen the use of human capital management (HCM) and human capital development (HCD) by scholars and practitioners alike. What is human capital management and development? Simply stated, human capital means people. Is that not similar as human resources, workers or employees in organizations? The phrase "people or human resources are our greatest asset" are often heard. The term 'human capital' originated in 1954 from economic theories when the notion of capital investments was discussed not only in material capital but also on human capital (Schultz, 1971; Becker, 1964). Subsequently, Jacob Mincer discussed on investing in human capital and personal income distribution in 1958 and followed by Becker's book entitled *Human Capital*, published in 1964, which became a standard of reference for many years. However, the term 'human capital' was rarely used in organizations and by professional practitioners due to its negative undertones and its association with economics. Nevertheless, the term 'human capital' emerged again and used popularly to describe human resources in organization since 2003 (Scholz, 2007). Scholars suggested that the idea of human capital is *people whose assets are of value and can be enhanced through investment*. Indeed, there has been many definitions given to describe the concept of 'human capital' but scholars argued that there is nothing new or different beyond the repertoire of knowledge, competency, attitude and behavior embedded in an individual (Youndt et al, 2004; Rastogi, 2000). Hence, human capital management can be defined as the process of acquiring, developing, deploying and the retention of the collective knowledge, skills and abilities of an organization's employees by implementing processes and systems that match employee talent to the organization's overall business goals. Whilst, human capital development is the process of developing and retaining the existing knowledge, skills, abilities and competencies of employees,

There are, however, two key principles that are central to the human capital idea. First, people are assets whose value can be enhanced through investment. As with any investment, the goal is to maximize value while managing risk. As the value of people increases, so does the performance capacity of the organization, and therefore its value to clients and other stakeholders (Youndt et al., 2004). Second, an organization's human capital policies must be aligned to support the organization's "shared vision"—that is, the mission, vision for the future, core values, goals and objectives, and strategies by which the organization has defined its direction and its expectations for itself and its people. All human capital policies and practices should be designed, implemented, and assessed by the standard of how well they help the organization pursue its shared vision (Wan, 2007; Youndt et al, 2004; Rastogi, 2000).

At most government agencies, the largest share of operating costs is devoted to managing and developing its workforce. For this reason, employees traditionally have been viewed through the budgetary lens, and therefore they have often been seen as costs to be cut rather than as assets to be valued. However, high performance organizations in both the private and public sectors recognize that an organization's people largely determine its capacity to perform. These organizations understand that the value of the organization is dependent on the value of its people. Enhancing the value of employees is a win-win goal for employers and employees alike. The more an organization recognizes the intrinsic value of each employee; the more it recognizes that this value can be enhanced with nurturing and investment; the more it recognizes that employees vary in their talents and motivations, and that a variety of incentive strategies and working arrangements can be created to enhance each employee's contributions to organizational performance, the more likely the organization will be to appreciate the variety of employee needs and circumstances and to act in ways that will make sense in both business and human terms (Lee, 2005; Kulvisaechana, 2006).

### **CONCLUSION**

The terms for human resource management and development has indeed evolved through the centuries. The term 'human resource management' has evolved from personnel management in the early 1900s and through to the current use of the term 'human capital management' - popularly used by many large firms. Similarly goes to the term 'human resource development' - most practitioners understood the term 'training' as similar to HRD and the term 'training' is being popularly used to



label departments and seen as synonymous to HRD. However, in the next decade or in very near future, it would not be surprising for us to see or hear new terms to represent HRM. Could it be 'intellectual capital management and development? Or could it be expertise elite management and development, particularly in the era of knowledge-based workforce and the oncoming era of knowledge-expertise workforce. Indeed, these new terms would be oncoming and may be necessary to keep up with changes with the advent of globalization and internationalization and rapid technological advances. As such the field of human resource management and development will require new terms to describe its evolution and to take in new concepts, ideas and philosophies surrounding HRM and HRD.

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