Dual Perceptions of HRD: Issues for Policy: SME’s, Other Constituencies, and the Contested Definitions of Human Resource Development

Diana J. Kelly
University of Wollongong, di@uow.edu.au

Follow this and additional works at: https://ro.uow.edu.au/artspapers

Part of the Arts and Humanities Commons, and the Social and Behavioral Sciences Commons

Recommended Citation
https://ro.uow.edu.au/artspapers/26

Research Online is the open access institutional repository for the University of Wollongong. For further information contact the UOW Library: research-pubs@uow.edu.au
SME's, Other Constituencies, and the Contested Definitions of Human Resource Development

Diana Kelly, Department of Economics, University of Wollongong, NSW AUSTRALIA

Paper presented to Ninth Annual Meeting of PECC-HRD
Pacific Economic Cooperation Council
Human Resource Development Task Force
PECC. Hualien, October, 2000

Introduction
In recent years international economic volatility and political instability have engendered a reordering of priorities with regard to the notions of development. (Stiglitz, 1997, 1999a; Sen, 1996; Sen and Wolfensohn, 1999). In part as a corollary, there has been increasing attention to the role of SME's which has demonstrated the needful significance of the attributes of successful SME's. Not only is accelerated development of SMEs seen as offering economic advance, but also this sector of the economy is ascribed with possibly offering greater potential than large enterprises (LEs) for communities and societies in enhancing social and political development.

The attributes and needs of successful SMEs and LEs in light of greater concerns over wider issues of development and the needs of civil society generate an allied conceptual problem. It is widely agreed that the features required for socio-political development on the one hand, and substantive economic development on the other, deserve continuing close attention. Yet, given the increased weighting to socio-political factors, the characteristics of what constitutes human development and human resource development need much closer focus. These concepts or terms are frequently portrayed as uncontested and unproblematic, yet their conceptualisation varies immensely. The significance of a seemingly definitional issue, such as what precisely constitutes development or HRD should be given much greater weight. It is only by acknowledging the shared and contradictory aspects of such terms, as they are seen by different constituencies, that clarity of policy-making can be achieved. Thus, policy making and policy research over issues of what are ideal and appropriate preconditions of economic or socio-political development can only be rigorous and effective if there are clear understandings of the needs of different constituencies - SMEs, LE's, civil society, multilateral organisations.

This paper therefore seeks to identify what scholars and policy-makers in several arenas mean by human resource development (HRD), and what are
their shared and different assumptions and objectives. The structure of the paper is as follows. First, the characteristics of successful SMEs is considered, taking particular account of human factors. After consideration of what may be key HRD aspects of SMEs, the notion of development-centred HRD is explored and evaluated. This is followed by an overview of what are the primary attributes and objectives of HRD for LEs, and then by a survey of the HRD goals of two major international organisations - the ILO and APEC. What these organisations conceptualise as HRD is then benchmarked against the first three conceptualisations of (a) HRD for SMEs, (b) development-centred HRD, and (c) LE-based HRD. Finally, the differences in primary assumptions and goals which are evident in the differing concepts of HRD is analysed in order to consider what are the research and policy implications of these multiple interpretations of this widely used, but not always well-understood term.

1.1. SMEs

Within the large and still burgeoning literature on SMEs, it is clear that the characteristics of small and medium sized enterprises are manifold. This reflects the vast differences in production and operation. At one end of the continuum are individual hawkers and traders, or home-based cottage industries, such as those in less-developed countries or those assisted by micro-lenders such as the Grameen bank. At the other end are medium sized operations which have tended to develop in 'new economy' operations or which produce goods or services for niche markets or operate as important links in supply chains for large enterprises (LEs).

In the investigations of SMEs by scholars and policy makers, there has been a strong tendency to seek out 'best practice' businesses which might act as benchmarks for start-up operations or for existing businesses seeking new markets. Even so, because of the vastly different contexts in which SMEs operate, identifying shared attributes of successful enterprises is problematic. In part this reflects one attribute which is important for this paper - that is, that SMEs are embedded in their local communities in way less evident in LEs. An SME by its very nature is dependent on, and part of the local community. This has two consequences for consideration here. The first is that the success of 'best practice' SMEs, however measured, reflects and interacts with, the local community. Thus the capacities and abilities of local workers are crucial. The health and education of the local community, and the local infrastructure which sustains and enables the standard of living of that community will also sustain and enable the continuation and expansion of SMEs. Secondly, because SMEs are embedded in the community their activities can have feedback effects back into the community. Allied to this is a further, perhaps more contested notion, which is that the development and expansion of an SME depends heavily, not only on material factors such as
infrastructure, finance, and business services, but only creativity and risk-taking at a much more personal level than might be found in LEs. One consequence for this investigation of the nature of human resource development (HRD) is that attributes which favour ‘successful’ SMEs, are also those which are allied to the traditional development-centred notions of HRD.

2.1 Development Centred HRD

Human development and HRD: Competing approaches

Human development refers to the capacity of individuals to reach their potential within a society where political and economic processes are transparent and sufficient to provide participation in decision-making. As President of the World Bank Group, James Wolfensohn, has asserted, "The message for countries is clear: educate your people; ensure their health; give them voice and justice... and they will respond." (World Bank, 1998) Thus from the World Bank's perspective, human development depends on investment in social and political capital, which when integrated with infrastructure, and 'sound' and appropriate economic and financial policies, mean that individuals and societies reach their potential.

More explicitly, then, development is:

... a process of expanding the real freedoms that people enjoy. These freedoms are both the primary ends and principal means of development. They include the freedom to participate in the economy ... freedom of political expression and participation, social opportunities including entitlement to education and health services, transparency guarantees involving freedom to deal with others openly, and protective security guaranteed by social safety nets, ... honest governments, open legislative and transparent regulatory systems ... an effective and impartial legal system, with protection of and support for rights ... [as well as] physical infrastructure .. energy, roads, transportation and telecommunications. (Sen and Wolfensohn. 1999)

The goals of human development, then, are not simply wealth-driven, although economic growth is necessary. (Sen, 1998; Stiglitz, 1999) Rather the goals of human development are directed at obtaining the benefits of, at least, core standards of health, welfare and education which are essential for citizens to participate fully in all aspects of social, economic and political life. (World Bank, 1999) If these latter are to be achieved then social, economic and political policies must be congruent with these objectives. Thus ideal models of human development are multi-dimensional, with each of the dimensions being integrated into the broad framework as set out by Sen and Wolfensohn (1999) above.
For many the notion of HRD retains its early and broadest definition as the process of increasing the knowledge, the skills, and the capacities of all the people in a society. In economic terms it could be described as the accumulation of human capital and its effective investment in the development of an economy. In political terms, human resources development prepares people for adult participation in political processes, particularly as citizens in a democracy. From the social and cultural points of view, the development of human resources helps people to lead fuller, richer lives ...(Harbison and Myers, 1964, cited in de Silva, 1997)

The traditional ideal of HRD has multiple dimensions which reflect the full gamut of individual needs and rights, albeit in this case from an American perspective. In this respect human resource development is focussed on capabilities and entitlements within a society. As such human resource development is integrated with other development issues such as infrastructure and basic human rights. Thus for development centred analysts, HRD is a subset of that much wider set of processes pertaining to human development. Within this approach HRD is "the process of increasing the knowledge, the skills, and the capacities of all the people in a society", is thus a necessary but not sufficient element of the broader development objective.

This economic or development approach to HRD has a very long history with high levels of scholarship in the modern era. Adam Smith noted that the capacities of individuals depended on their access to education. In the 1950s the development centred HRD approach encompassed the new development economics, (Hirschman, 1981; Lewis, 1955; Myrdal, 1968) augmented, inter alia, since then with the development of human capital thesis and the writings of development economists such as recent Nobel Prize winner Amartya Sen. The development orientation indeed draws heavily on work of scholars like Sen, who focus on core capacities and entitlements of individuals as the basis for analysis. To expand individual's "entitlements" and "capabilities" (Sen, 1992) is to 'develop' that individual in order to develop the society and economy. In other words, the development-orientation to HRD is a subset of the broader issues of development and is based on broad goals of enhancing individuals' rights and capacities.

Such an approach is different from the narrowly economic perception of development as financial-economic expansion and trade growth. These were the priorities of major international bodies such as the IMF and World Bank until the late 1990s. Economic growth was perceived to lead automatically to wealth creation, which served as a proxy for development. Under this regime, free markets and trade liberalisation were prescribed as the means to
economic growth and so development. Under such a paradigm measuring
development occurred by simple indicators such as GDP per capita or
economic growth rates. However, it has been recognised that such
prescriptions would lead to human development left too much to chance and,
it has been widely demonstrated that indicators such as GDP per capita give
no information on distributional issues, who has access to benefits or how far
these obtain the capability to be healthy or to choose not have children.

3.1 HRD The focus of LEs
By contrast, factors such as health or maternal well-being or equity of access
to education are unimportant in the studies of HRD, which pertain to large
enterprises. There is a long-standing and large literature on HRD which
focusses on 'best practice' innovations, but as with SME literature these tend
to be snapshots, rather than longitudinal monitoring. In part the short time-
frames of studies reflects the focus in recent years on swiftly changing
programmes according market volatility and th ebb and flow of managerial
fashions. Nevertheless, a study of what the largest companies designate as
HRD reveals that companies are seeking to increase employees' skills within
the enterprise, reinforce their loyalty and enthusiasm, and uphold a strong
company focus. The variety of designated HRD programmes reflects the
strongly hierarchical nature of LEs, in which HRD for "basic employees" is
limited to primary skills and enhancing of commitment and compliance,
while managerial HRD has tended towards enhancing motivation and
commitment of non-managerial employees through organisational
innovations. Indeed these kinds of programmes have almost become so
accepted that HRD is generally conceived of from the perspective of LEs.
Certainly this has become apparent in international organisations such as
APEC and the ILO.

4.1 HRD - The perceptions of two international organisations
At first glance it appears that there has been a resurgence of interest in the
development perspective of HRD, the promotion of "equity, poverty
alleviation, and quality of life" (APEC Vancouver, 27 November 1997)
through development of education and 'citizenship', and improved access to
health. However, closer investigation of two major plurilateral organisations
reveals that their policies may more closely reflect LE conceptions of HRD.

4.1.1 - APEC
APEC was founded in 1989 at a meeting of senior government leaders of
thirteen countries for the purpose of developing and enhancing regional
economic co-operation. It was primarily a response to the development of
trade blocs in other regions, to the Uruguay round of trade negotiations and
the eventual institutionalisation of trade liberalisation in the formation of
the WTO. While the driving forces of APEC were economic growth and trade
liberalisation, the organisation also announced its commitments to the enterprise oriented HRD. These ideals are expressed most succinctly in the Joint Ministerial Statement in Seattle Washington in 1993.

The people of the Asia Pacific region are its single most important asset. The dynamism of the region is reflected in changing human resource needs. Ministers expressed satisfaction with the progress achieved in APEC’s human resource development activities but urged that continued priority attention be devoted to this work with particular emphasis on the training and adjustment needs necessitated by changing trade patterns, industrial restructuring and other economic changes ... (APEC 1993, p.4)

The goals of APEC were thus aimed at training in order make employees fit changing needs of business. By 1998 APEC comprised 21 countries¹ and had extensive infrastructure in all its core areas of activities. The Asian financial crisis was of primary concern, but given the effects on labour markets and social issues, HRD was seen as an important element of responding to the crisis. The APEC responses are analysed lucidly and cogently elsewhere, (Haworth 1998; Haworth and Hughes 1998), but can be best summarised as retraining, relocation and redesigning training for key workers (APEC 1999).

APEC was thus from the first an organisation for regional economic development. While most of the focus of the first APEC meetings Canberra 1989, Singapore 1990) were on trade and economic issues, some cognisance was given to ”Investment, Technology Transfer and Related aspects of HRD”, (APEC 1989) including establishing

a comprehensive program for Human Resources development including identification of critical skills and gaps in know-how ... [and considering] programs to establish networks among educational and related institutions, the exchange of managers, scientific and technical personnel ... (APEC 1989)

Following its formation, the Human Resources Working Group,² began a series of Ministerial Meetings on HRD from 1996. In part, their concerns were in response to the APEC Business Advisory Council (ABAC) which had

---

¹ The list of countries is evidence of the breadth of the Asia Pacific. The thirteen original members were Australia, Brunei, Darussalam, Canada, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Republic of the Philippine, Singapore, Thailand and United States of America. During early 1990s Chile, the People’s Republic of China, Hong Kong China, Mexico, Papua New Guinea, Chinese Taipei also joined APEC and in 1998, the membership of Peru, Russia and Vietnam was agreed.

² As befits the modern plurilateral organisation APEC places strong reliance on acronyms. This group has always been referred to as the HRDWG for ease of reference.
voiced concerns that APEC HRD was too much in the hands of government. Consequently, ABAC had recommended greater private sector participation in designing human resources development programs in order to "raise efficiency as well as to foster the linkages between learning and work" (APEC, 1996).

That employees must fit enterprise needs had been strengthened in 1996 by the formation of a "Chief Human Resources Officers Network" within APEC. This group was expected to provide private sector / business inputs into APEC HRD, building on the increasing emphasis on the role of business in advising governments on aligning education with the needs of business. Thus in Kuala Lumpur in 1998, the economic leaders in APEC acknowledged that

The provision of technical skills undertaken by the public sector faces increasing constraints in terms of funds, expertise and equipment. The result is a mismatch between training and the real work environment. A more effective approach is to encourage a market-driven approach to skills training emphasising greater business participation. (APEC 1998, p.12)

These recommendations were central to the Kuala Lumpur Action Programme on skills, and together with recommendations to 'spawn new entrepreneurs', comprised major aspects of APEC's HRD initiatives in 1998.

In the Seoul Declaration of 1991, APEC leaders emphasised the organisation's commitment to economic growth through economic cooperation, and particularly referred to "the important contribution of the private sector to the dynamism of APEC economies" and the need for more active participation of the private sector. It was not surprising, therefore, given APEC's focus and commitment to growth and to the private sector, that HRD within APEC emphasised its enterprise orientation. In this respect, the Human Resources Working Group has increasingly placed reliance on business to advise governments on education and skills development, since even the content of basic education can be designed to be more closely aligned to business needs, than towards those of civil society.

4.1.2 ILO
What might be seen as more surprising at first glance is priority given by the International Labour Organisation (ILO) to enterprise-oriented HRD. As a tripartite international organisation, the ILO had from the first given high

---

3 The CHRN joined five existing networks which included the Network on Business Management, the network on Human Resources in Industrial Technology (HURDIT) and the Education Forum (EDFOR)
priority to development focussed HRD, for ethical, political and economic reasons. The ethical and humanitarian grounds rested on the view that increasing exploitation and poverty were unacceptable in a progressive global society, while the political grounds rested on the assumption that immiseration would cause "unrest so great that the peace and harmony of the world are imperilled" (ILO 1919). It was the economic grounds which drew also on ethical considerations in demonstrating the need to remove deterents to human development. In this respect, the ILO saw itself as removing the disadvantage when social and economic improvements increased the cost of labour, insofar as

the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries (ILO 1919).

Since 1919, ILO Conventions and Recommendations, together with the supporting programmes and Technical Assistance, have been designed and implemented based on the underpinning principle of the centrality of human development. For the ILO, the fundamental expression of such principles could be found in the core labour standards (Castle, Nyland and Kelly, 1998). Given the organisation's focus on labour-as-employees, it is perhaps not so surprising that the ILO has long been involved in elements of HRD in all its definitions. The organisation's publications have frequently noted that HRD extended beyond the employment relationship to core capabilities and entitlements of human development, and the importance of nutrition, education and the like. Convention 142 and Recommendation 150 (ILO, 1975) are the two primary HRD instruments, and both deal with the notion of vocational training

directed to identifying and developing human capabilities for a productive and satisfying working life, and in conjunction with the different forms of education to improve the ability of the individual to understand and, individually or collectively, to influence working conditions and the social environment (ILO, 1975).

In recent years, however, as befits a tripartite organisation during times of economic volatility, the ILO has wooed its employer members more determinedly through its traditional employer programmes, and there has been evidence of an explicit shift to the enterprise-oriented approach of HRD. Thus at the ILO Workshop on Employer Organisations in Asia Pacific in the 21st Century in Turin in 1997, Gamerdinger (1997, p.2), who is a senior ILO employee, noted that new technology would not only accelerate the potential for increased global trade and sounder economic policies, but would also require "strategies to promote employment related human performance development". This in turn, the author opined, demonstrated the increasing
truth of the saying that "all education is vocational education". In other words, there was within the ILO, a redefined notion of HRD toward the narrower enterprise-oriented definition that had been adopted by trade organisations such as APEC.

Indeed, sections of the ILO have narrowed the definition of HRD and, further, stress that employees should be "accountable for their own skill development". There is also reference to the perception that HRD practices would be modelled on the 'best practice firms". In particular, the HRD proposals emphasise the need for employee orientation and corporate citizenship

... designed to help ensure all new employees develop a firm foundation in the company's values - culture, traditions and philosophy of customer service as well as bond with the company and its quality vision ... The purpose of training in corporate citizenship is to have workers who are knowledgeable about the history, culture, traditions and values of the company. The aim is to engender strong feelings of belonging to the company (ILO 1996, p.11).

What might facilitate the active promotion of congruence between the individual employees' values and company visions is the greater role given to business in the content and provision of basic education. As the ILO Policy on Employers' Activities notes,

Employers' organizations can influence the direction and quality of education to conform to business needs and encourage symbiotic relationships between enterprises and schools / teachers .... There is a gradual shift from training as a responsibility of government ... to one of shared responsibility, ...to improve general skills, but more particularly firm-specific skills (ILO, 1998, p.11).

In this respect, the primary objective of education can be seen preparing individuals for work and assisting business in their training of productive and loyal employees.

5.1 HRD - comparisons and competing definitions
The notion of human resource development takes as its focus the development of knowledge, capacities, skills, and capabilities. Moreover there is an interventionism implicit in HRD; it is an activity or series of activities initiated and supported by one constituency in order to improve others. Almost always acknowledgment of the importance of human capital is an unstated assumption in any form of HRD. Improving human capital has been has been most clearly demonstrated in the Asia Pacific, and indeed has almost become a cliche in discussions of the 'Tiger' economies. In Korea
in particular, policy makers decided that the inadequacy of human capital had to be comprehensively addressed a quarter of a century ago, with the result that the contribution of the Korean education and training policy has been widely attributed to that country’s economic success. Similarly, there is widespread evidence that economic growth is a necessary component for development. Scholars committed to the broad definition of development (and allied role for HRD) are adamant the economic advancement is an essential component of human development (Stiglitz 1999, Sen 1992)

Despite these similarities, the term HRD has been shown to have multiple meanings which reflect the different objectives of scholars, practitioners and policy-makers. These differences reflect four central questions.

- who is the object of HRD?
- why is HRD proposed or practised?
- what does the HRD comprise?
- what is the objective of the HRD?

The answers to these questions have been shown to be quite different for development centred analysts on the one hand, and LE focussed HRD and the plurilateral organisations like APEC and the ILO on the other hand. However, it seems that the notions of HRD for SMEs are less fixed than the other groups on which exploration has focussed.

The approach to HRD of LEs and the international organisations differs greatly from the development approach in two major respects. Firstly, the human development approach draws in part on moral theory and ethical argument, as well as economic theory. For example, as Singer (1984) has argued, the notion that a global society which ignores inequalities of wealth, lack of access to education or nutrition, and political repression is dependent on the belief that those with access to good health, nutrition or education are not morally responsible for others in society. This is clearly a value laden assertion, as Myrdal has successfully demonstrated, and assumes that individuals hold moral and ethical beliefs. On the other hand the human development approach is no more value laden than the LE orientation which holds that social, political and economic freedoms are unimportant relative to business success. The LE approach is thus also value-laden by its very rejection of moral and ethical considerations.

As Stiglitz, (1999) and Sen (1999) have shown, broad spectrum human development objectives which are achieved partly through development-oriented HRD, also have positive economic outcomes in terms of open government, social cohesion and even more mobile and flexible workforce. Education and politico-social initiatives to attain transparent financial
processes and genuine public debate can ensure an absence of 'graft' and efficient transactions, as well as genuine human development. It is not that such things can be achieved immediately — just as a notable British academic has insisted, 'you cannot change organisational culture like changing your trousers', so the social and political institutions of NICs, 'Tigers' and the like cannot instantly osmose notions of open participative government and broad access to education and health (Asiaweek 1999, p.5).

The more important weakness in the development-oriented approach is one of 'voice'. Thus despite the recent shift in perceptions of development of key World Bank leaders, (Wolfensohn 1996), notions of business-oriented economic growth and business- defined HRD have gained predominance in recent years. This new dominant perception was apparent in the discussions (above) of HRD prescriptions in APEC and the ILO. Both of these organisations claim commitment to broad issues of development, and indeed much of the work at the ILO continues to uphold the broader approach, but beyond the level of generalities, there are explicit and detailed expressions of HRD from an LE perspective in the programmes and publications of both organisations. By focussing on business development, the LE approach to HRD appears to have diminished the social and moral elements of development. It seems arguable, therefore, that HRD has been captured by business and institutions promoting business, including governments, and distilled to remove the broader social elements.

More importantly, there are potent long term implications of such a shift. If education and training are designed to habituate individuals to aspire to concepts such as organisational loyalty on the one hand, and the need to accept employment insecurity on the other, then social values will shift away from notions of freedoms and rights. This is particularly true of the employment relationship, because, as yet another British academic has argued, the best analogy for the modern enterprise is "a miniature undemocratic state". The insistence of LEs on organisational commitment, for example, implicitly rejects concepts of freedom of speech, or at least freedom to express competing values. Programs of HRD within sections of the ILO and APEC appear to have also been shaped to delimit development- focussed HRD and highlight the LE focussed HRD.

Such emphasis may have consequences for SMEs precisely because SMEs are more likely to be embedded in, and dependent on local communities. As a result the establishment, continuation and expansion of SMEs not only requires the capacity for entrepreneurship and creativity, but rather more than LEs, these must derive from local communities. Since this integration

---

4 Hyman (1972). Italics in original. It is clear that Hyman wrote this a long time ago - many modern enterprises are no longer miniature.
with local and regional communities is not an essential attribute of LEs, the objectives and content of HRD for policy-makers and analysts may need to take account of notions of HRD which go beyond the conceptualisation of HRD normally taken by LEs and by the ILO and APEC.

CONCLUSION: HRD A CONTESTED DOMAIN?
Human Resource Development (HRD) has become a widely used term in the last half-century, but conceptions of the term vary widely. The broad notion of HRD, which is a subset of the grand theory of human development, includes not only education and vocational training, but also health, nutrition and access to sources of a degree of self-determination. Within the business and management literature, the focus of HRD is on the narrower objective of attaining or upgrading the skills and attitudes of employees at all levels in order to maximise the effectiveness of the enterprise. In recent years, these principles have tended to prevail so that significant international organisations like the ILO and plurilateral organisations like APEC promulgate the business-defined concepts of HRD as if they were a general societal goal.

Even if the moral and ethical grounds of the development-centred approach are under question, it becomes apparent that, particularly in considering notions of HRD for SMEs, it is important to recognise there are multiple perspectives. Moreover, there appears to be a broad economic rationale for distinguishing between the various forms of HRD and taking account of development centred approach precisely because SMEs reflect and depend upon, aspects of both human resources and of development. In making policy which takes account of the needs of SMEs, the multiple perspectives of HRD presented in this paper present potent and problematic implications for societies in developed and developing economies alike. What is of fundamental importance is the recognition of multiple forms of HRD.
Bibliography


<http://www.apecsec.org.sg/virtualib/minismtg/mtgmin89.html>


<http://www.apecsec.org.sg/virtualib/minismtg/mtghrd96.html>

APEC (1997) ‘APEC Economic Leaders’ Declaration: Connecting the APEC Community’, Vancouver, Canada, November 25


*Asiaweek* (1999) "Democracy and Crisis: Openness, Participation and Accountability Become the New "Asian values"", April 9, pp.52-6


ILO (1975) Convention Concerning Vocational Guidance and Vocational Training in the Development of Human Resources (C142), ILO, Geneva, June

ILO (1975) Recommendation Concerning Vocational Guidance and Vocational Training in the Development of Human Resources (R150), ILO, Geneva, June


Luttrell, T. (1997) APEC after Subic Bay-the Road to Free Trade ('to boldly go where none have gone before...'). Department of the Parliamentary Library Current Issues Brief 25 1996-97


Myrdal, G. (1968) Asian Drama: An Inquiry into the Poverty of Nations, Pantheon, New York,


