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## The Purpose of Human Resource Development Is to Improve Organizational Performance

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Practitioners and researchers have had a running debate about the appropriate goals of human resource development (HRD). Some argue that HRD should focus on increasing the performance requirements of host organizations and more directly the productivity of the workforce. Others argue that HRD should focus on developing the individual in a broad manner without using bottom line results as the litmus test of an intervention's worth. The question can be rephrased as, What is the dependent variable of HRD? Is it the measurable increase in performance that is the direct result of organizational development and personnel training and development, or is it something else, like individual learning or participant satisfaction with an intervention?

This chapter argues that the purpose of HRD is improved performance. This view is founded on the premise that HRD, when practiced in productive organizations, should strive to contribute directly to the organizations' goals. These goals, based on a purposeful system needing to obtain effectiveness and efficiency survival minimums, are performance-oriented. Consequently, it is the responsibility of HRD to focus on performance. This chapter examines the environment in which organizations operate to gain a better understanding of their goals and responsibilities; discusses the purpose and goals of HRD in that organizational context; and explores the concept of performance to clarify understanding and to demonstrate that the performance versus learning issue may not be a source of conflict.

### Organizations in Which HRD Operates

An organization is a productive enterprise having a mission and goals, and it should be thought of as a system, with definable inputs, processes, outputs, parts, and purposes (Katz and Kahn, 1966). With this characterization of an organization in mind, HRD can be thought of as a subsystem that functions within the larger organizational system. To gain an understanding of the purpose of any subsystem, it is instructive to look at the goals of the larger system in which it operates.

One of the first lessons to be learned in any business school is that the purpose of a business organization is to maximize shareholder wealth through the effective and efficient procurement and allocation of scarce resources. This goal of business was not arrived at by chance or by fiat. Instead, it is merely a natural result of the economic and political environment in which businesses function (at least in the United States). In that environment, individuals have the ability to invest money in a variety of vehicles that produce a return. It is natural that investors would want to invest most heavily in organizations that produce the greatest return. The consequence of this is that organizations, in order to attract and retain investors, attempt to provide the greatest returns possible on shareholder investment. Public and nonpublic organizations operate under parallel principles, with their effectiveness and efficiency gains used to reduce costs of services or the expansion of those services. Thus, it is possible to find nonprofits, funded through donations or taxes, outsourcing low-performing subsystems to more competitive, for-profit providers. From these effectiveness and efficiency principles, the goals of profit and nonprofit organizations follow.

Of the scarce resources that organizations must procure and allocate, perhaps none is more important to the success of a firm than human resources. Indeed, one large expenditure for many organizations is tied directly to workers, including wages, benefits, and HRD (Noe, Hollenbeck, Gerhart, and Wright, 1994). Of course, human resources are unique in that people have feelings, make plans, support families, and develop communities. However, human resources are similar to other resources in that firms expect a return on the money invested in them (Cascio, 1987). Unless workers are contributing to the profitability and viability of an organization, then it would make economic sense to invest the money spent supporting those workers elsewhere.

The purpose of reviewing these realities of organizational survival is not to paint an unfeeling picture of the workplace in which people are merely cogs in an industrial machine that operates to line the pockets of greedy investors who do not care about the welfare of workers. There are numerous examples of companies who are meeting their financial goals and are also among the most progressive in terms of employee treatment and relations (Levering and Moskowitz, 1994). Nowhere has it been shown that financial success is in direct conflict with employee happiness and well-being. Instead, these characteristics of organizations were reviewed because they define the organiza-

tional system in which HRD operates. By highlighting the purpose and goals of the larger system, insight into the purpose and goals of its subsystems can be gleaned.

### The HRD Subsystem

It is difficult to find an article about HRD without at least some reference to linking HRD to the strategic goals of the organization (for example, Gill, 1995). It has become almost axiomatic that if HRD is to develop into a respected and useful player in organizations, then it will need to position itself as a strategically important partner. HRD will need to assume the same level of importance as the traditional core organizational processes: finance, production, and marketing (Torraco and Swanson, 1995).

What are the goals of the organizations with which HRD is to become strategically aligned? As mentioned, ultimately they are survival, return-on-investment, and even growth. More important for HRD, however, are the goals one step removed from these, including producing high-quality goods or services, being the market leader, or having the most highly skilled workforce. Each of these second-order goals serves a singular purpose: to maximize return. The implications of each for the subsystems responsible for carrying them out, however, are more specific and concrete. For example, if it is assumed that the production of high-quality goods is an organizational goal, then production needs to focus on systems and processes that produce quality, marketing needs to focus on systems and processes that communicate quality, and finance needs to focus on systems and processes that ensure quality is supported. And of course, HRD needs to focus on systems and processes that ensure that the individuals in the organization have the knowledge, expertise, and attitudes to produce quality.

*Performance* is defined as the dependent variable in the form of organizational, work process, or individual contributor outputs of productivity. Using this definition, performance is the means by which organizations achieve their goals. Performance can be measured in many ways. Rate of return, cycle time, and quality of output are three such possibilities. In addition, it is important to make a distinction between levels of performance. Performance takes place and can be measured at the organizational, process, and individual levels.

If HRD should be aligned with the goals and strategies of the organization, and performance is the primary means by which the goals and strategies of organizations are realized, then it follows that HRD should be primarily concerned with improving performance at the organization, process, and individual levels. If HRD is to be a value-added activity of the firm, instead of a line item of cost that is to be controlled and minimized, then HRD practitioners need to be concerned about performance and how it enables organizations to achieve their goals.

## HRD and Performance Improvement

How can HRD improve performance? There are many possibilities at the individual, process, and organizational levels. As an example, the mission and goal variables at the organizational level concerns whether the organization's mission and goals fit with various internal and external realities. If they do not, then most likely performance is being impeded. Assume that an organization's mission and goals do not fit the reality of its culture, and that this is resulting in suboptimized performance. HRD could attempt to solve this performance problem through structured intervention in a couple of ways, depending on the outcomes of a detailed analysis. A process could be put in place to formulate a mission and goals that accommodate the organizational culture. On the other hand, a cultural change process could be implemented that seeks to modify the culture so that it is better aligned with the mission and goals of the organization.

Notice that the education of adults plays an important role in this example. If HRD is to change culture, then certainly the principles and practices of adult education will play an important role. It is not difficult to see, however, that there are potential needs for educating and training adults in every cell of the performance diagnosis matrix.

So what is the relationship between HRD and adult education? McLagan (1989) defined HRD as the integrated use of training and development, organization development, and career development to improve individual, group, and organizational effectiveness. Swanson (1994) offered another definition of HRD along similar lines: Human Resource Development is a process of developing or unleashing human expertise through organization development and personnel training and development for the purpose of improving performance. In both definitions, it is apparent that the outcome or dependent variable of HRD is performance.

Another less obvious implication is that HRD is broader than training or adult education. There are HRD interventions that involve much more than training, and some (however rare) that might involve no training at all. For example, HRD might be involved in a business process analysis and improvement that results in a newly engineered process with minor modifications that are transparent to the worker, thus requiring no human resource training for implementation. If training were required, it would be a relatively small part of the entire intervention.

These remarks should not be construed as an argument that adult education is a subset of HRD. It is not. HRD and adult education are discrete entities. Their area of intersection occurs in the host organization. When adult learning decisions about individuals are bounded by the rules and requirements of an organization, adult education becomes HRD. When the rules and requirements are located in the individual, it is adult education. The core test is contained in the idea of locus of control. If the organization retains the authority to approve or disapprove learning interventions, the locus of control

is with the organization, and therefore it is HRD. To the point that they are *overtly* shared, they are both.

HRD includes processes and interventions that do not always involve training. By the same token, adult education does not always take place in the context of organizations for the purpose of performance improvement. The outcome or dependent variable of adult education can be personal growth, general knowledge, personal expertise, or even entertainment.

The intersection of HRD and adult education results in performance-focused educational interventions having the following attributes. First, the context is organizations. Second, the dependent variable, or desired outcome, is performance, which will directly affect the goals of the organization. Third, the intersection includes education and training interventions.

### **Reconciliation of HRD and Adult Education**

The tenet that the dependent variable of HRD is or should be performance is by no means universally accepted by practitioners or researchers in the field. Often, concern is expressed that the feelings and worth of human beings are ignored by focusing too much on bottom line results. In addition, some hold that fostering learning or the capacity to learn is a valuable outcome in and of itself and assume that sponsoring organizations will logically benefit. Thus, a line is sometimes drawn between those who view HRD as tied to business goals and focused on the bottom line and those who would like to take a more humanistic stance. This dichotomy is termed the *performance versus learning* debate as a matter of convenience (Swanson, 1995; Watkins and Marsick, 1995).

This debate, like many others, is fueled by an often misconstrued delineation of the opposing sides. On closer examination, it is discovered that perhaps the two sides have more in common than first proposed. On the one hand, those who adhere to the performance orientation of HRD do not do so in an attempt to deny the dignity and worth of employees. Neither do they deny that learning is a necessary component of performance. The goal of performance-focused HRD is simply to ensure that the HRD process in organizations contributes to the goals of the organizational system in which it operates. This does not necessarily imply an authoritarian management style. Some might argue that to ignore performance issues is itself inhumane and inconsiderate of the workforce; good organizational performance does not guarantee job security, but poor organizational performance puts jobs at serious risk. On the other hand, those on the learning side of the debate are not so naive as to think that organizational goals and performance are irrelevant to HRD. On the contrary, they are seen as important, but also important are issues that are difficult to tie to the bottom line of an income statement. Trying to foster a drive to learn in an organization may be a noble goal, but it is one that will be difficult to demonstrate in a cost-benefit analysis. On careful consideration, it appears that HRD and adult education theory and practice may not be in conflict.

Still, it is our contention that HRD should exist for the purpose of improving performance; indeed, it must be performance focused, considering the relationship of HRD to the organizational system it serves. If HRD is to be viewed as a major business process and not just as an optional activity or a waste of resources, then it must be tied to the goals, most of them financial, of the organization. Does this mean that some HRD programs are a priori non-performance-based and thus not worthy of development? No, it does not, and this is an important point that requires further elaboration.

Take developing a learning organization, for example (Senge, 1990). Much has been written lately about the learning organization and the benefits that might come from developing such an entity. To simplify matters, a learning organization is defined here as an organization that fosters long-term learning in the workplace. Using the traditional metrics of performance measurement such as cost-benefit analysis, quality, and cycle time, an increasing number of scholars find it difficult to see how an intervention designed to develop a learning organization could be shown to improve performance (Jacobs, 1995). At least it is not as clear-cut as a program designed to improve the telephone skills of customer service representatives.

Does this mean that there is no place for the development of a learning organization in performance-based HRD? Once again, the answer is no. But the organization must be clear about why it is pursuing such a program and what the expected results are. Sadly, organizations frequently implement ideas and programs without a clear conception of either. This practice is sometimes referred to as *fad-driven HRD*. *Team building*, *diversity training*, and *learning organizations* are all concepts many companies develop programs for without a clear idea of why or to what end. If the purpose of HRD is to improve organizational performance, then it is the obligation of HRD to analyze a performance problem in enough detail to determine what the root causes of that problem are and what types of interventions would reasonably be expected to help.

This in no way means that team building, diversity training, and learning organizations do not have a place in performance-focused HRD. If an analysis of an organization's goals shows that such programs would be integral in the process of achieving them, then they should be pursued. By the same token, if a performance diagnosis indicates that the aforementioned programs might be effective solutions, then they should be implemented. What performance-focused HRD does not condone is the blind application of interventions or programs based on whims or poorly conceptualized analyses. Unfortunately, many judge this to be the existing state of the profession. HRD can be irresponsible in its purpose and processes.

## Conclusion

What is the dependent variable of HRD? Is it the measurable increase in performance that is the direct result of organizational development and training,

or is it something else, like individual learning or participant satisfaction with an intervention?

We have argued that the purpose of HRD is to improve performance. This view is founded on the premise that HRD, when practiced in productive organizations, should strive to contribute directly to the organizations' performance goals.

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