

**PA010**  
**From VET to HRD**

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## **Abstract**

Recent work by Noonan and Schofield has highlighted the notion of workforce development as an alternative to traditional conceptions of VET. However, this is not new to human resource practitioners in Australian enterprises who have long worked within the extended paradigm of human resource development. This encompasses a far broader range of activities than training and links skills development both to broader human resource policies such as recruitment and organisational change and to the strategic needs of the business. This paper will tease out the relationships between VET, HRD and human resource management in both a theoretical and practical sense and draw upon interviews with Human Resource Directors to describe the state of human resource development in a modern organisational context.

# PA010

## From VET to HRD

Recently the notion of vocational education and training has been challenged by research work that takes a far broader view of the development of the skills and abilities of the Australian workforce. Kaye Schofield in her recent review of skills training for the South Australian government advanced the idea that a qualifications and competency driven vocational education and training system does not address the future skills requirements of the State (Lomax-Smith, 2003). Schofield prefers the term “workforce development” to VET and defines it as:

*Increasing the capacity of individuals to participate effectively in the workforce throughout their whole working life and increasing the capacity of firms to adopt high performance work practices (p 28)*

In an address to the 7<sup>th</sup> National Conference of the Centre for the Economics of Education and Training, Noonan (2003) took up Schofield's notion of workforce development and showed how this broader concept was being echoed in skills development policies from a number of countries including the UK, Canada and Singapore. Noonan extends Schofield's definition of workforce development in the following way:

*The workforce development model involves an extension of VET as it is currently conceived to encompass all of the processes and structures by which workers can develop their skills and capabilities, and a better integration of formal and informal learning, not a shift away from recognised to informal learning. (p 4)*

Noonan also draws on the work of the Australian Centre for Organisational, vocational and adult learning at UTS in theory high level review of training packages (ANTA 2003) to emphasise the importance of changes in the labour market and the nature of work to support the contention that much workforce development will take place outside the institutional setting in the workplace.

However, the concept of workforce development as envisaged by Schofield's and Noonan is not new. It has close parallels with the notion of human resource development (HRD) which developed in the 1970s in the USA and has in recent years become more popular in Europe (Holton III, 2003). The concept of HRD encompasses many of the new elements that have been adduced for workforce development in Australia. It is not simply concerned with the training and development of individual workers but is also concerned the relationship of the skills and abilities of workers to the overall development of the organisation in which they work.

### **Human Resource Development**

The notion of HRD has been popular in the USA for a number of decades. It emerged in the 1970s (Nadler and Nadler, 1970). Although early definitions of the term HRD

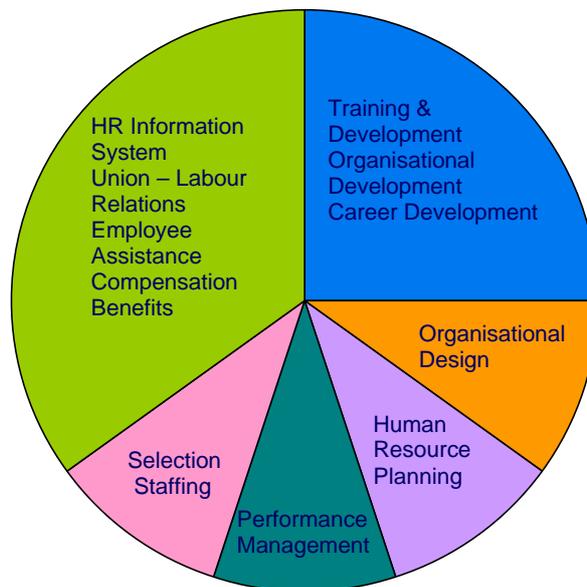
stressed individual rather than organisational learning, by the early 1990s, HRD was viewed in the USA as a much broader notion based on the notion of organisational performance and capability. In the late 1980s, the American Society for Training and Development (ASTD) embarked on a serious study of the role of HRD and of the HRD practitioner in enterprises (McLagan 1989). This study adopted a broad definition of HRD:

The process of increasing the capacity of the human resource through development. It is thus a process of adding value to individuals, teams or an organisation as a human system.

In this definition, HRD is concerned with the capacities of individuals not only with their work skills and with the benefit that the overall organisation derives from development. Thus issues of organisational change and performance management are important elements in the notion of HRD.

The ASTD work also related HRD to the broader field of human resource management in enterprises. The famous HR Wheel diagram located HRD in this broader organisational context and attempted to position HRD at the centre of HRM.

Figure 1: The Human Resource Wheel



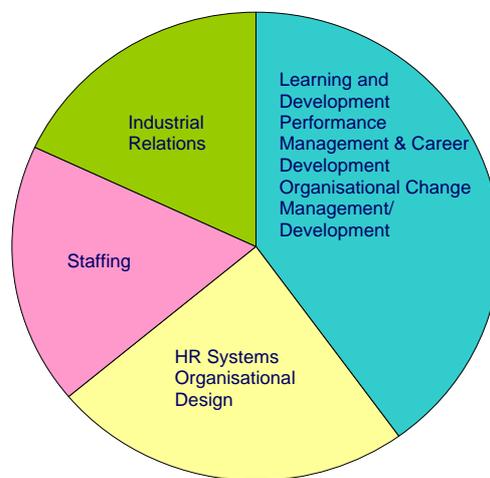
Source McLagan, 1989 p 3.

The HR Wheel suggests that HRD is concerned with the training and development of individuals, the development of the organisation (organisational changing) and with the career development of individuals. This concept is quite close to that of workforce development as explained by Schofields and Noonan. The development of the capacities of the individual is linked to the overall health of the organisation (organisational development) and to the matching of individual career paths to the

needs of the organisation (career development). The focus of HRD, like workforce development, is the development of the capacities of the organisation.

The HR Wheel, of course, takes a very American view of HRM in organisations. The role of labour relations is much more limited than a similar model for an Australian organisation and the emphasis on human resource planning is rather static given the changes to the nature of work since the early 1990s. Nevertheless, the model provides some clarity on the role of HRD and its relationship to the overall human resource strategy of the organisation. A reworking of this model for Australia in 2004 may approximate diagram 2.

Figure 2: The New HRD



In this diagram, HRD has extended its role within HRM and within the organisation. From 25% of the HR Wheel, HRD now accounts for around 40 per cent of the HR activities of the organisation. The development focus of HRM has increased through the 1990s in Australia as the role of industrial relations in HRM has become less significant. The demise of the centralised system of industrial relations and the emergence of 2-3 year cycles for enterprise bargaining has meant that traditional industrial concerns are less important to the HR strategy of the organisation than in the early 1990s. At the same time, the notion performance management has highlighted the importance of correct selection decisions to avoid difficult staffing problems. Thus, staff selection has become a critical HR function.

Not only has the influence of HRD within HRM and within the enterprise increased, than nature of HRD has also changed in the last 10 years. The notion of the development of individuals' skills and abilities has moved beyond the rather narrow purview of training as suggested by Noonan. The key word in individual development is learning, emphasising the importance of the workplace as a site of learning and development for individual workers. Career development has given way to a far more systematic application of performance management to individuals and groups in organisations. Performance management is also very clearly linked to the development of the individual – workers need skills and abilities in order to meet their

performance targets – and the organisation. Critically, the former notion of organisation development has moved from the traditional focus on team building and organisational “health” to a broader focus on the programs of organisational change such as team working, TQM and Business Process Re-engineering that swept through organisations in the 1990s and is continuing today.

HRD has now emerged as a more all encompassing and pervasive notion that embraces not only the development of the skills of individual workers but also the performance of the organisation as whole. In this form, the notion of HRD is very akin to what Schofield and Noonan are suggesting as an organising concept for VET in the future.

### **HRD and Organisational Change**

Work published recently on the relationship of training practices with organisational change in Australian enterprises shows that training and organisational change are very closely linked (Smith et al, 2003). This work examined five forms of organisational change that had been common in Australian organisations in the late 1990s. These included, team working, total quality management (TQM), business process re-engineering (BPR), lean production and the learning organisation. The study found that all five sets of “new management practices” had a positive impact on the level of training provided by organisations. The practices with the most impact were team working and TQM which appeared to involve a significant level of training for employees on their introduction. Thus, HRD and organisational change are linked in precisely the way that modern concepts of HRD prescribe.

More interesting, however, than the amount of training that these change practices introduced to organisations was the impact that organisational change appeared to have on the organisation of training and the training function in enterprises. The most important driver for increasing the level of training in organisations was the relationship of training to the business strategy of the enterprise. This confirms the central role that HRD is playing both in terms of the HR strategy of the enterprise and the business and competitive strategies of firms. It appears that Australian enterprises are no longer willing to take the efficacy of HRD on trust but will only make significant investments in the training and development of their employees when there is a clear strategic need in the business. This is very much the strategic role that has been posited for HRD.

Another key finding from this research was the changing nature of HRD within enterprises. HRD is being decentralised within Australian enterprises echoing the findings of earlier research in the UK (Raper *et al*, 1997). Although training departments and training specialists continue to exist in enterprises, they are often acting as brokers within a more decentralised HRD function. Much of the training is taking place in the workplace and on-the-job, facilitated by a new breed of workplace trainer whom carries training responsibilities as part of a larger job. Furthermore, the take up of training opportunities presented by enterprises for their employees is a decision that is increasingly driven by individual workers themselves. Enterprises no longer appear to invest in large scale training programs of all employees but rather offer development opportunities to their employees on a more tailored and individual basis. It is the responsibility of employees to ensure that they have the skills to

contribute to the development of the enterprise and to their own career development. This is a classic example of the individualisation prompted by the modern labour market (Cappelli, 1999).

### **HRD and theories of HRM**

Since the emergence of HRM as an academic field of study in the late 1980s, there have been a number of theories that have been developed to explain the role that HRM plays in enterprises. These theories have all attempted to explain the role of HRD within their frameworks.

The earliest theories of HRM drew a distinction between “hard” and “soft” explanations for HRM (Storey, 1989). Soft HRM theory attempted to show that there was a single “best” way of treating employees at work in order to gain their commitment and higher levels of performance. This involved managers adopting a caring and often paternalistic attitude to their employees, promoting an organisational culture in which employees were given significant responsibility and respect. In other words making employees happy at work in order to gain their maximum commitment. The role of HRD in the soft theories of HRM was to offer employees an opportunity to realise their full development potential; whether or not the development programs were closely linked to the business needs of the enterprise. Hard theories of HRM, on the other hand, took a more strategic view of HRM and prescribed HR processes that were linked to high individual performance such as performance based pay (Fombrun, Tichy and Devanna, 1984). In the more strategic scenario, the role of HRD was to equip individuals with the necessary skills for the organisation to achieve its business strategy. There was little question of the maximisation of the potential of the employee.

More recent theories of the role of HRM in the enterprise has focused on the resource based theory of the firm. The resource based theory of the firm attempts to explain the achievement of sustainable competitive advantage by examining the distinct core competencies of the organisation (Hamel and Prahalad, 1993). Resource based theories stress the importance of organisations identifying what they do that is unique and is not capable of imitation by competitors. These core competencies might be unique processes or technologies that the firm possesses. However, it is more likely that the unique core competencies of an organisation are to be found in the skills sets of its employees. Processes and technologies can be easily copied or adopted by others but it is difficult for firms to reproduce the skills sets of groups of employees. Thus, the resource based view of the firm lends itself to making the case for the strategic nature of HRM in acquiring, developing and retaining people with the right skills for the firm. In the resource based view it is easy to see that development of skills becomes the most important HR function in the enterprise in order to secure competitive success (Boxall and Purcell, 2003). Thus HRD, with its emphasis on developing the skills of employees in order to meet the strategic requirements of the enterprise becomes the most important area of HRM

The central nature of HRD to the human resource practices of enterprises predicted by the resource based theory of the firm has been borne in recent research undertaken by a team of researchers from Charles Sturt University. This research, funded by the National Research and Evaluation Committee, is part of series of projects examining

the training of existing workers in Australian enterprises. The project examines the take up of nationally recognised training by enterprises and the advantages and disadvantages this has for them. Although the work is still in progress at the time of writing, it is clear that, particularly, for some large enterprises, the use of nationally recognised training through training packages has had a revolutionary impact on HR practices and on the development of HRD in particular. Traditional approaches to in-house training have been dropped in favour of the use of training based on national qualifications as set out in training packages. In many cases training has been introduced for groups of employees that hitherto did not benefit from formal training or from the acquisition of qualifications. This has enabled employers to offer employees qualifications that increase their mobility within the industry and which enhances their reputation as an employer of choice in a tightening labour market. “Learning and Development” functions have developed which operate as brokers rather than as deliverers of training and are focused on the development of the organisation through the development of its employees. Thus, the conjunction of the greater availability of nationally recognised training and the changing nature of HRD within Australian enterprises has led to the emergence of a new form of HRD – learning and development.

## **Conclusions**

The notion of workforce development which this paper began by analysing is already coming about. This paper has traced the emergence of a much broader and strategic approach to training and development in some Australian enterprises based on the concept of HRD. Supported by recent changes to the VET system that have introduced nationally recognised training into many industries and occupations, rather practice of HRD is now beginning to move to centre stage in the human resource management strategies of some Australian enterprises with an emphasis on the linking of the development of the skills and abilities of the individual to the strategic needs of the business. This move to HRD in Australian enterprises has considerable implications for the VET system.

Firstly, it often involves a move away from traditional training delivery role of in-house training departments. The emphasis in the new learning and development function is to recognise the skills that workers already possess and to train for skills that they do not have. Thus, recognition of prior learning becomes a much more important part of VET than has been the case hitherto. Enterprises are unwilling to train workers in skills that they already have and workers want to gain the qualification as quickly and easily as they can.

The role of the training provider will also change. The emphasis in the new learning and development approach will be on partnership. Some enterprises will continue to operate as RTOs where the nature of the training required by the industry means that enterprises are best placed to deliver the training themselves. But in many cases, training will be delivered through a partner RTO or series of partners. Nor will the delivery of training be the traditional model. In many cases, enterprises will want as much of the training to take place on-the-job for reasons of relevance and cost. Partner RTOs will be accrediting and assessing rather than physically delivering training.

The integration of HRD and VET is proceeding perhaps more quickly than has been envisaged until now. A new field of learning and development is emerging which takes its strategic nature from HRD but is also closely linked to VET and to developments in VET policy. The practitioners in this field will display a mixture of both enterprise focus and VET know how. It will be an interesting development.

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