

Changing corporations: The role of HRDM

Abstract

HRD managers develop and deliver trainings that exacerbate economic growth, as profit is the priority for most corporations. There is a need for HRD managers to use their existing roles and capabilities to encourage employees to become aware of the inequalities harbored by “profit for profit sake”.

“We must use time wisely and forever realize that the time is always ripe to do right”

Nelson Mandela

We are at a time in social history in which the gap between the rich and the poor has never been greater. In a nation in which opportunities-for-all is the motto, there are less and less opportunities for those who need them the most. Last year 49 out of 100 of the largest economic entities were corporations, not nations (Keys & Malnight, 2012). This means that for example the Wal-Mart, Shell and EXXON MOBILE empires are greater than the economies of 159 other countries (White, 2011; Keys & Malnight, 2012). For these corporations and many others, economic growth is what matters most. They have a need to continuously grow their profit for profit’s sake, no matter at what expense, often jeopardizing the wellness of people. Capitalism rules in times in which approximately 46.5 million people live in poverty in the United States, a number that continues to grow (U.S Census Bureau, 2012). Joel Bakan (2004) goes as far as comparing corporations to psychopaths based on the notion that both are “unable to be concerned for others”, “only advance for their own self interest”, and “have trouble obeying the law and social conventions”.

Karl Marx predicted that capitalism stripped individuality, while it turned society into “a class-based system”. He expressed that in this system “only a limited number of people could own and control the means of production.” As we experience in our society, capitalism breeds an elite class who control the labor power, hiring process, and wages through the market and means of production (Levinson, Gross, Link and Hanks, 2012).

Additionally, in his critique of capitalism, *Capital*, Marx argued:

“The process of buying and selling in capitalism alienates the worker from the creative labor that the worker puts into a product. Control of the means of production in the hands of a few, such as capitalism is, leaves the worker without any sense of security or control in the marketplace.” (Levinson et al, 2012)

Corporations are ultimately run and managed by people. Human resource management and development stand at the core of organizations. While they may not be directly in charge, they have the tools and opportunities to impact the organizational culture. Currently, most

Human Resource Development Management (HRDM) practices are geared towards enhancing the profit making capabilities of employees, which is what inherently drives capitalism. In fact, many of the activities of Human Resource Development (HRD) are focused on performance drivers rather than on improving performance (Swanson, 2001).

In the words of Richard Swanson (2001) “Organizations (with some exceptions) are not in the business of valuing diversity, building employee expertise, e-learning, or establishing well-functioning work teams. They do these things to achieve other goals. These are called performance drivers.” (pp. 2) In addition Swanson points out that to assess the financial benefits of HRD, attention must be drawn to the outputs related to the organization’s mission, in terms of goods and services produced (Swanson, 2001). This means that organizations use performance drivers as means to enhance profits rather than employee capabilities. How employees conceive being valued or being trained is a scheme to get them to feel important. What organizations truly value are the moneymaking capacities.

The purpose of this paper is to explore how current HRDM practices exacerbate capitalism, and how HRD managers can use their existing capabilities to stimulate change in employee behavior in order to encourage a more just distribution of wealth.

The reason behind this topic has to do with the morality [or lack thereof] of profit being a priority for corporations. Some organizations disregard completely the lives of people. Others create foundations in an effort to appear better in the public eyes, often because it increases profit. Few genuinely care about the lives of people (Orr, 2011). The capitalistic economic system breeds a society in which “short term wealth for a few is purchased at the cost of long-term prosperity” (Orr 2011, 116). In addition, HRD managers and trainers are encouraged to develop and deliver trainings that exacerbate economic growth. The goal of this paper is thus to encourage HRD managers to use their existing roles and tools to change mentalities and encourage employees to become aware of the inequalities harbored by “profit for profit’s sake”. And thus, to encourage social justice in order to move away from a capitalistic system, into a new way of making business: one that is about people rather than profits, in which money is a mean to achieve justice rather than the end goal.

Issues with Capitalism

Capitalism is defined as “a way of organizing an economy so that the things that are used to make and transport products (such as land, oil, factories, ships, etc.) are owned by individual people and companies rather than by the government” (www.merriamwebster.com). This definition fits the current market economy, hence how capitalism was meant to work. Instead of the state having control of the economy, capitalism grants control to the people and “the invisible hand”. The issue arises when greed and growth for profit become the rule, as they have in the current system, regardless of the system’s intrinsic need for-profit in order to survive. Thus, the definition used throughout this paper is that capitalism is “an economic and political system in which a country’s trade and industry are controlled by private owners for profit, rather than by the state” (Oxford Dictionary, 2013). This is in fact the modern interpretation of capitalism, and it best fits with the premise of Marx’s critiques.

Karl Marx developed two critiques of capitalism from two different approaches; a normative and scientific. The latter approach is based on the principles governing the classical political economy, whereas the normative approach is based on moral considerations regarding alienation, inequality and exploitation (Marx, 1978). The scientific approach is how Marx ultimately predicted that capitalism would undo itself by “sowing the seeds of its own

destruction” (Powers 2010, 122). As previously stated, the ultimate goal of capitalism is the accumulation of capital. What drives corporations and people is the accumulation of profit; and work is aimed towards raising the rate of profitable growth of capital (Marx, 1978). Indeed Marx indicates that, “the immediate purpose of capitalism production is not the possession of other goods, but the appropriation of value, of money, of abstract wealth” (Cohen 2000, 302) From this approach, capitalism is seen as a process. Capital is value in motion and profit is the result of that motion. Whether it works for the majority or not, as long as there is wealth to gain, capitalists will continue to run the show. In order to modify this system, it must also be explored from a moral perspective: because a logical collapse is not imperative from a scientific point of view, we must explore the normative approach to understand the benefit that its demise would bring to society as a whole.

This winter, Wal-Mart is running its first ever food drive for employees. Surprisingly, a company worth \$446.950 billion cannot pay enough to its sales clerks and they have resorted to asking employees to donate food to other employees so they can eat more this holiday season. (Nicks, 2013). The Wal-Mart example sheds light into how modern capitalism has widened the wealth gap even further, and compromised morals. While Sam Walton sits comfortably on his billion-dollar fortune, his ground level employees rely on others to make it to the end of the month (Nicks, 2013). Indeed several factors affect income, as not all jobs require the same mental or physical capabilities, or the same amount of time. Many people go through years of higher education in order to achieve a certain level of economic stability, and it would not be fair that everyone is paid the same. With that said, there is still a factual need for a balance of wealth, as the fortune in the United States is poorly and unequally distributed.

From a moral standpoint, in the last few hundred years there has been a change in the economy. The poorly administrated wealth distribution has slowly rid the country of social justice. A video recently stormed the Internet highlighting the public opinion on the issue. The findings showed that there is a discrepancy between the distribution 92 percent think would be the ideal; what they think the actual distribution is; and the reality. While the bottom 40% of united States citizens barely have any wealth, the top 1% has more of the country’s wealth than 9 out of 10 believe the top 20% has (www.realecontv.com). In sum, the wealth distribution is worse than people actually realize it is. This inequality is a consequence of the capitalist economic system. Those who control the means of production are the wealthiest 1-10%, while those who work in production and do the physically [and mentally] hard work, the labor workers, are part of the 90-99% of society (Levinson et. al., 2012).

In addition, capitalism has created a need-for-profit, which has developed into an incessant search for new resources, new markets, and cheap labor, which has lead to greater issues of injustice. In fact, “the imperative to create more profits creates an unsustainable system, both socially and environmentally” (Levinson et. al. 2012, 32). Alperovitz (2012, 224-225) concludes chapter 18 of *America Beyond Capitalism* with these words:

“Viewed in broader historical perspective, it is clear that the growth and power dynamics of large economic enterprises (private and public alike) present fundamental environmental changes in all political-economic systems. Corporate growth-driven priorities that are inimical to a regime of reduced consumption, reduced material resource use, and ecological sustainability are particularly difficult to contain. (...) Especially important are those [strategies] that reduce key inequality and psychological consumption drivers on one hand, and measures designed to establish conditions needed to develop new community and cultural norms, on the other.”

Moreover, Capitalism is a system that has been inherently socially constructed, which means that it can be socially deconstructed. While this is a difficult task, HRD managers have the tools to do so. HRD managers are currently encouraged to develop and deliver trainings that exacerbate economic growth. Instead, they should work to develop socially responsible employees. HRD managers already possess the capabilities to change and transform the minds of businessman and women, they just have to realize this fundamental power.

HRDM roles: Managing Change

As corporations seem to keep modern capitalism going, growing and exploiting, most of them are run with a top-down approach, congregating the wealth to a few very powerful people who control workers and pay them a very small percentage of what the company makes (Alperovitz, 2011; Speth, 2012). With this in mind, Russo (2001) believes that “Business has a responsibility to invest in the soul of the community and contribute to its wellbeing”. Joe Baken (2004) claims that people in fact are happier working for a company who is socially responsible. In addition, Bierema and D’Abundo claim:

“We believe that HRD possesses the skills, strategies, and philosophy to live up to Burke’s (1997) challenge: ‘If organization development practitioners want to sleep better at night, they need to live the basic values of their profession, challenge actions they know are immoral, and play a more expansive role in improving organizational life’ (Burke 1997: 7). It is our belief that HRD has a unique opportunity to educate organizations about social responsibility and use HRD strategies to integrate social consciousness into organization activities that could potentially affect significant social change.”

The first order of business to change the perspective of HRD managers is to understand their roles and strategies. “HRD is defined as a process of developing and unleashing human expertise through organization development and personnel training for the purpose of improving performance” (Swanson 2001, 1) Thus, HRD plays a crucial role in any organization and in the development of employees. HRD managers have several roles: communicator, administrator, evaluator, writer, manager, psychologist, anthropologist, material developer, career-development advisor, instructor, facilitator, marketer, needs analyst, organization change agent, program designer, and researcher (Goad, 1989; McLagan, 1989). Not all HRD managers do all at once, but together, the Human Resources department should have all these roles covered. Thus, HRD managers indirectly have access to most people and processes within an organization. Understanding their individual roles and capabilities will give them an advantage at the time of explaining and delivering change.

In addition to managerial roles, all HRD managers have a specific set of competencies that need to be taken into account. There are four different kinds of competencies: technical (functional knowledge and skills), business (management, economics or administration), interpersonal (communication skills), and intellectual (knowledge and skills related to thinking and processing information) (McLagan, 1989). Deeply understanding the competencies and what they entail will give HRD managers the tools to be change agents inside a company. These competencies help HRD managers understand their role to help employees work and learn, to better understand how their organizations work, how to communicate and get their message heard, and how to gather and apply knowledge. The tools and different roles HRD managers already have should be used to aid in the transformation of organizational culture in order to achieve social responsibility. It must be noted that “cultural change involves a complex process

of replacing an existing paradigm or way of thinking with another” (Werner and DeSimone, 2009, 488). Changing an organizational culture is very difficult, and it requires HRD managers to specially pursue the roles of leaders, motivators, psychologists and communicators. An example of a successful story of organizational change is found in The World Bank. The organization has undergone several changes brought about by new appointed presidents every couple of years. These have been successful because they have worked with what the company already had in terms of people and tools, as well as implementing a good communication strategy to explain their vision and need for change (Denning, 2011).

Albeit the need for change rarely comes from HRDM and it usually is mandated by higher range in the organization, HRDM implements it. HRD managers are the agents that work to help the organization deliver change. With the need to shift the business model from profit to people, HRD managers should use McLagan’s (1989) competencies with a different perspective. Bierema and D’Abundo (2004) discuss the need for organizations to focus their work to achieve social justice. They claim that in the search for profit, the humanity aspect of human resources development has disappeared. They also claim that in fact “HRD has been accused of exploiting employees, the environment, communities, and even nations. HRD has been critiqued for promoting management interests while ignoring the wellbeing of employees and the wider community” (pp. 444). In addition, they contend that the profession and management practices of HRD have a “social responsibility to question performative practices and rediscover human development in the process.” (Bierema & D’Abundo 2004, 444).

Consequently, to be able to change the general culture of an organization, the internal culture has to be affected by making fundamental changes to existing paradigms (Werner and DeSimone, 2006). In this case, the change will require employees to reconnect with their humanity and values, in order to understand the need for social justice. They must comprehend how their business practices are negatively affecting the world. In fact, the roles HRD managers must use to be able to reintegrate humane practices into the company processes are that of motivator, communicator and psychologist. (Goad, 1989).

Before change can happen, a clear vision has to be developed and communicated with employees. Gilley and Maycunich Gilley (2003, pp. 238-239) recommend seven steps to organizational change. (1) Communicating the urgency for change; (2) providing leadership for change; (3) creating ownership and support for change;(4) creating shared vision for change; (5) implementing and managing change; (6) integrating change into the culture; and (7) measuring and monitoring change. Steps one through three are when the change momentum has to be built, steps four and five are when the change is deployed, and steps six and seven are when change accountability comes into play.

Besides these steps, Gilley and Maycunich Gilley (2003) recommend ten phases to be followed as a comprehensive approach to be used as a guide for facilitating change initiatives. Since the change discussed in this paper should be internal, phases 1-3 can be disregarded, as they pertain to connecting and contracting a client. Phases four (‘identifying problems’), five (‘diagnosing problems’), six (‘identifying root causes’), and seven (‘providing feedback’) are the most important. At this time, the reasoning behind the change has been developed, and it requires special time and attention. The background information that is the basis of this paper covers phases 4-7, and give way to phase eight, ‘change planning’. This is also an important phase, as the change intervention will be identified and solutions should be discussed and planned. The last two phases are for implementing interventions (nine), and evaluating results (ten), must be conducted carefully and thoughtfully. In this phases, HRD managers put into practice their roles

as communicators, motivators and psychologists, to communicate and implement change (Gilley and Maycunich Gilley, 2003).

Further, HRD managers have to understand the limitations and challenges of such a task. People are resistant to change and perceive it as difficult. Since change is often uncertain, unless it's understood it will not be accepted. HRD managers have to be aware of employee characteristics that might make them resist change, such as age, nationality (individual culture), and values. Smith (2005) claims that resistance is a natural reaction because of the uncertainty of change (especially organizational change). In fact, fighting resistance only makes employees refuse change more. In order to better encourage change within an organization, HRD managers should not spend their energy and time trying to overcome the resistance of employees, because that only makes things worse. Smith (2005) suggests that managers must engage with this resistance, and try to understand it. Their roles of communicator and psychologist must come into play at this time by listening to employees' feelings and thoughts about the change, and how it personally affects them. HRD managers should actively listen to what employees have to say and take account of any feedback they may have in order to relieve anxieties and reservations regarding change. In addition, this approach to communicating change while done from an understanding perspective, must be conducted with decisive action and authority. This authority is earned by listening to resistance rather than fighting it, and remaining strong through a clear understanding of the need for change, and it can be extremely valuable to managers acting as change agents to overcome negative resistance (Smith, 2005).

Furthermore, once resistance to change has been overcome, HRD managers have to ultimately create the change discussed. In order to do so, they should employ the transformational learning theory. Mezirow's theory (1981) of transformative learning focuses on the idea that as we learn, we should transform our thinking to reconstruct the way in which we conceive ourselves, and the world, in order to allow for a more inclusive integration of experience. Adults must understand roles and relationships within society as well as with themselves as a part of their learning process. Then they will take the necessary action and transform their perspectives (Mezirow 1981). The altered perspective in the workplace does not necessarily require an overhaul of existing policies and procedures, but a change in the way HRD managers think about experiences to communicate them with other employees.

Mezirow proposes that there are four processes of learning: To elaborate an existing point of view, in order to establish new ones; to transform such point of view through critical reflection; and in the end to transform our ethnocentric way of thinking and become critically reflective in the way we think and view others (Mezirow 1997). In order for our learning to become meaningful, we must allow for *thought, feelings and disposition* of new information to become part of the active learning process, thus transforming our frame of reference to understand our experiences altogether. This should be the starting point for individual change.

Conclusion

This paper is ultimately the *how to* for changing an organization culture to create employees that are more socially responsible. Future research should be conducted to explore deeper the *why*. The concepts of *Corporate Responsibility* and *Social License* are relatively new but explore how corporations can benefit from caring about the well being of the people. Researchers exploring the future of HRD and management need to explore deeper the benefits for businesses to change their practices in order to be socially responsible.

Communism failed because it produces too little at too high a cost. Capitalism has also failed because it produces too much, shares too little, also a too high cost to our children and grandchildren (Orr, 2011 p. 242). As explored in this paper, Modern Capitalism is immoral based on the premise that it breeds profit for the sole purpose of accumulating profit. We are in a point in history in which the inequality gap broadens rather than narrows down. CEO's salaries have grown while the minimum wage has stayed stagnant, and has actually gone down in relative digits.

It is estimated that employers in the United States spend \$50 billion in programs to develop their employees. It is time to begin spending that money in the development of socially responsible business practices in order to reduce the poverty gap to achieve a fairer wealth distribution. In fact, as explored earlier, HRD has expertise in educating individuals and fostering organization change. Most of the trainings that take place in organizations today happen with the end-goal of profit increase. Employees sent to trainings and development exercises are expected to perform better, thus bring in more money. Instead, this knowledge should be applied to teaching the organization about ethical management and leadership, to help managers implement practices encouraging social responsibility. (Bierema & D'Abundo 2004, 450). Employees have to regain their humanity in their work practices to be able to understand the deeply rooted wrongs in the profit-end model. They should use their roles and capabilities to benefit from change, along with transformational learning to show employees the big picture: individuals need to understand that it is *not just about me and my job, but how my job affects society as a whole. How my job influences others inside the company and outside.*

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