Strategic HR Director Position: Implementation of SHRM in Firms

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This study argues theoretical framework for strategic human resource management (SHRM), and implementation of SHRM in firms. HRM field is related to skill development and performance improvement. So, theoretical framework of SHRM is established by performance and skills. HR systems improve knowledge, skills, and abilities (KSAs) of employees, which affect individual-level performance. Individual-level performance makes employee go up to executive positions, and talents at the up affect firm-level performance via their managerial decisions. Secondly, a firm may apply SHRM through three factors: strategic HR director, HR systems, and star employees.

Keywords: SHRM, firm, performance, implementation

Introduction

This study discusses how strategic human resource management (SHRM) can be implemented in organizations. SHRM can be implemented in organizations through strategic HR director position. Responsibility of strategic HR director is applying HR system. HRM department determines star employees; and strategic HR director applies HR system over star employees. Aim of applying HR system is to achieve performance improvement of stars, because determining star employees within organization is related to talent management. Talent management has two roles in organizations: performance development and executive positions. In talent management, key employees (stars) are prepared for executive positions, because in executive positions, stars (talents) may affect firm performance.

Methods of Implementation of SHRM in Firms

There may be three methods in implementation of SHRM in firms: HR systems approach, strategic HR director position, and star employees within the organization.

Strategic HR director would have management position in HRM department under HR manager. HR manager manages the department. Strategic HR director has sub-position with HR manager in the management. Head of the HRM department might be HR manager. Strategic HR director has sub-position in HRM department with HR manager.

Responsibility of strategic HR director is applying HR systems over star employees. American HR scholars identify HR systems with high-performance work systems (HPWSs), high-involvement work systems (HIWSs), and high-commitment work systems (HCWSs) (Huselid, 1995). HPWSs define HR systems in American

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literature. So, strategic HR director should possess system mentality in management of human resources (HR), because he/she would apply HR system practices over star employees. Caldwell, Truong, Linh, and Tuan (2011) referred to Pfeffer (1998) that enormous return may be seen from high-involvement, high-commitment, and high-performance HRM systems. According to HRM literature, HR systems have positive impact on employees’ individual performance via knowledge, skill, and abilities (KSAs) analysis. Therefore, HR systems are to develop KSAs of key employees (stars), because improvement of KSAs affects individual performance.

For example, HR director determines star employees from talent pool. Determining star employees is related to talent management. The director applies HR system or performance management to stars to increase their performance for executive positions. Talent management has two focuses: performance improvement and executive positions. HRM department improves performance of stars, and it prepares stars for executive positions for to impact firm performance. Strategic HR director applies HR system to increase individual performance of stars, talents to prepare them for executive positions, because talents in executive position impact firm performance. Aim of strategic HR director via HR system, talent management, and performance management is to heighten professional development of key employees. In 1995, Huselid proposed HPWSs as an HR system, and Delery and Doty (1996) suggested seven strategic HR practices as an HR system. Huselid (1995) defined HR system as simultaneous use of multiple HRM practices.

Therefore, the second responsibility of strategic HR director is talent management. In strategy school, HR strategies contribute to firm-level strategies, and according to strategy school, HR manager becomes board member. HR department may contribute to firm-level strategies via talent management, and further, HR director may play talent management roles in board decisions. To gain individual skills, theoretical knowledge is important in related field. To make it organizational, organizational learning policy is important.

The third role of implementation of SHRM in firms is KSAs analysis: improvement of knowledge and skills of employees. Therefore, HRM is to make knowledge and skills of employees organizational, which would be named as corporate skills or organizational skills. Organizational skills may be obtained through organizational learning.

In SHRM, key employees are important to achieve firm performance. Thus, HR is responsible for development of key employees. Secondly, knowledge of human resources is important in SHRM, because knowledge makes employees higher individual performance. Therefore, HRM is responsible for improving organizational learning.

But, to which employees a firm applies the HR systems, the answer is star employees. Thus, HRM department determines star employees within the organization. And strategic HR director applies system approach to those star employees.

It is expected that star employees have strong effect on firm performance, because they are brilliant. HR systems and star employees specify relation between HRM and firm performance in Wright and McMahan’s (1992) definition.

According to Wright and Haggerty (2005), factors creating causal relation between HRM and performance are HR systems. In addition, they also discuss causal relations between HR and economy field. Business managers or middle managers create causal order between HRM and economy, because individuals (managers and professionals) create cause and effects results in relation between HRM and economy. HR practices create cause effect impacts. Wright, Patrick, Scott, and Dyer (2005) cleared relationship between HRM and economy by resource-based view, which built strategy school in SHRM theory in 1990s.
Governance of HR Department in Firms

Furthermore, for organizing HRM department in firms, there may be three divisions inside HRM department: talent management division; personnel management division; and HRM practices division. Talent management division is responsible for talent management practices, focusing on performance improvement of star employees, developing potential of stars, and placing them into executive positions, because the way that human resources are managed through HR practices has empirical relationship with organizational performance (Wright & Haggerty, 2005). Prime Minister (PM) division is responsible for implementing PM-related activities. It is obligations of rules of government and legislations of institutions. HRM practices division handles for applying HRM practices within the organization, such as appraisal, training, compensation, career, etc. Focus of HRM practices division is to increase individual performance of employees. This division may have sub-divisions: recruitment division, training division, compensation division, career division, and so on. Each division would have supervisors to manage.

Theoretical Framework of SHRM

According to Baird and Meshoulam (1988), two fits are strategic to organizations, because they enable HRM to achieve goals, in Wright and McMahan’s (1992) definition. This study discusses HR systems approach in definition of SHRM, in which it identifies main distinction between HRM and SHRM. In progress from HRM to SHRM, the major difference is: In HRM, there is individual HRM practice; while in SHRM, there is bundle of HRM practices.

HR becomes effective when it achieved external fit between organizational goals and human resource management (HRM). Internal fit describes HR bundles. In both approach, managers of organizations are important to achieve external and internal fit. Managers must have systems approach in managing HR. HR systems are integration between HR’s components.

American HR scholars define HR systems with HPWSs, which is interrelated HRM practices. Via HPWSs, HRM has impact on task performance of employees, and task performance has impact on firm performance. Therefore, core of SHRM definition between HRM and firm performance is task performance, because HRM has effect on firm performance via task performance. For example, Liang, Marler, and Cui (2012) reported that there is positive relationship between HPWSs and firm performance in Chinese contexts. In addition, Chinese possess contingent perspective in HRM; on the other hand, Chinese firms head for the contextual paradigm like Western firms. HRM in China goes from contingent to contextual perspective. In addition, Chinese firms are adopting HPWSs model and universalistic perspective in management of HR. Therefore, joint ventures’ initiatives affect contexts in HRM in China. Chinese HRM does not have configurational perspective. According to Liang et al. (2012), Chinese HRM has two dimensions: contingency perspective and HPWSs approach; and it heads for contextual perspective.

Moreover, in German HRM, professional development of employees is key to management of HR. Tenure is also key to understanding HRM in German context. Professional development is related to promotion ladders in career up to executive positions. German HRM has much load of bureaucratic processes, which is contextual perspective; instead, it must have strategic dimension (Walk, Schinnenburg, & Handy, 2014). Overload of bureaucracy is related to contextual perspective in European HRM. In USA, HRM has strategic and performance dimensions. For unification, European HRM is to adopt principles of American HRM which is oriented to achieve firm performance through human resources. Brewster (2007) argued that European
perspective on HRM is contextual perspective and state involvement. In Germany, the aim of HRM is professional development of employees.

In SHRM, HRM has two focal points: task performance and business professionals. In SHRM, in order to contribute to the business goals, HRM aims to increase task performance of professionals. Task performance is related to job descriptions. HRM contributes substantially to the success of business strategies and firm performance by impacting task performance of employees (Walk et al., 2014), because purpose of HRM is professional development of employees. So, HRM = development + employees.

According to Devanna et al. (1984) at Walk et al. (2014), HRM practices have impact on both individual and organizational performance. Black box issue may appear on this relation. Black box might be KSAs of employees, because KSAs are related to individual performance of human capital. Further, Wright and Haggerty (2005) said that McMahan, Virick, and Wright (1999) searched for theoretical framework of SHRM explaining the impact of HR practices on firm performance. But how?

There may be three answers to how. Firstly, HR systems influence individual performance of employees. Secondly, KSAs of employees are developed by HRM that affects individual performance. Thirdly, HRM practices have effect on task performance of key employees. Therefore, HR is to focus on key employees for achieving firm performance.

In addition, professional development of employees is also related to talent management. At talent management, recruitment of talents is important in management of HR. Then, HRM is to develop talents for executive positions to achieve business goals, because talents may serve for business goals in management positions in hierarchy.

SHRM began with strategic approach by Devanna et al.’s study in 1981. SHRM is based upon resource-based view by HR scholars in 1990s (Hirt & Ortlieb, 2012). In strategy school (Michigan), resource-based view of firm obtained priority to explain of HRM on performance (Wright & Haggerty, 2005).

Theory of SHRM is related to agency theory, because HRM has stakeholders, such as senior executives and line managers, and it is internal function and it has internal processes and internal constituencies (Wright et al., 2005). Agency theory requires SHRM with stakeholders. Therefore, SHRM is related to stakeholders of HRM, i.e., stakeholders’ satisfaction is important in governance of SHRM in organization. Major stakeholder is owners, and owners are interested with firm performance and value.

In HRM or SHRM, how HR increases firm performance. The answer might be talent management. Most prominent characteristics of talent management are creating talent management and are determining star employees in organizations, because talents of organizations have enormous impact on firms’ performances. That approach leads to question: Why HRM gains strategic position in organizations. Why is HRM strategic? Because organizations achieve their goals via human resources and HRM department cultivates HR inside organization that affects firm performance. Aligned with propositions of this study, Brewster (1999) argued to gather utilization of HRM and SHRM in organizations.

Discussion: SHRM Theory

Huselid, Jackson, and Schuler (1997) studied HRM effectiveness in organizations. HRM effectiveness is necessary to achieve financial performance. Model of Huselid et al.’s (1997) study is:
According to this model, theory improves skills and capability of employees, which affects effectiveness of HR. Capability of HR professionals and managers impacts on HRM effectiveness, and HRM effectiveness impacts on corporate financial performance. Continued, capability is increased through skills’ acquisitions, and skill may be obtained by theoretical knowledge in the field. HRM effectiveness depends on HR managers’ and HR professionals’ capability and skills. HR professionals implement HRM practices through organization, and they have contact with line managers, because line managers are important in implementation of HRM within organization.

Huselid et al. (1997) identified SHRM with HR system and human capital to achieve business objectives. In addition, Huselid et al. (1997) tied resource-based view to firm performance in theory of SHRM.

SHRM has three modes of theoretical frameworks: universalistic, contingency, and configurational perspectives (Delery & Doty, 1996). Delery and Doty (1996) found that those three perspectives lead to relationships between HRM, strategy, and organizational performance. The second finding of Delery and Doty (1996) is HR system has a link to organizational performance. Further, Delery and Doty (1996) tended to HR system approach in definition of SHRM theory.

Universalistic perspective is a valid theoretical perspective in SHRM theory where human resource contributes to firm performance via innovation. Results of Delery and Doty’s (1996) study provide strong support for universalistic perspective. Therefore, universalistic perspective among four is more appropriate to development of SHRM theory.

Colbert (2004) suggested resource-based view (RBV) theory and HR system for integrated theoretical framework for SHRM field. Role of RBV theory in SHRM is to develop potential of human resources via HR system. In addition, integrated framework of SHRM may be achieved by HR system and star employees. RBV sets relationship between HRM and corporate strategy in SHRM field. Colbert (2004) defended a potential avenue and theoretical framework in SHRM through a focus on HR system. RBV sets theoretical bridge between strategy and HRM. Colbert (2004) suggested RBV and HR system as a theoretical framework for SHRM research. Human resources are considered as strategic resource in RBV view, because human resources are intellectual capital and human capital of a firm. According to Kaufman and Miller (2011), intellectual capitals of firm (stars) provide relation between HRM and economy. They view that subject of research within SHRM field quickly becomes linkage between HRM and firm performance.

Kaufman and Miller (2011) viewed that universalistic perspective has two propositions: Profit pay-off of HRM practices is greater in HRM practices that are implemented as a bundle. The second proposition is:
Investment in HRM practices increases firm performance. They cite Combs et al.’s (2006) study that there is a statistically significant positive main effect between HRM practices and firm performance.

\[ \text{HRM} = \text{performance and SHRM} = \text{firm performance} \]

SHRM achieves firm performance via HR system. Therefore, HR directors are to implement HR system to increase KSAs, individual performance, and firm performance. According to Delery and Doty (1996), an organization must develop HR system that achieves internal and external fit, such as performance management. Huselid (1995) defined HR system as simultaneous use of multiple HR practices. In performance management, HR managers simultaneously use training, appraisal, career plans, and compensation. Those practices are also part of talent management.

**Conclusion**

To conclude, this study discusses how SHRM is implemented in organizations. HRM department may set SHRM in organizations by strategic HR director position, HR systems, and star employees. Secondly, this study argues theoretical framework of SHRM.

In apply of SHRM in organizations, strategic HR director position is important, because the director applies HR systems to employees. Firms may apply SHRM via apply of HR systems. The second responsibility of strategic HR director is talent management to determine stars inside organization. Further, strategic HR director should have managerial position inside HRM department. Thirdly, star employees make up talent management in SHRM. Strategic HR director should apply HR system to star employees, because star employees have impact on firms’ performance. Therefore, structure of SHRM formula might be as follows:

\[ \text{SHRM: HR systems + star employees + strategic HR director} \]

After 2000s, studies related to SHRM field are increased, whereas theoretical framework of SHRM is not obvious. This study contributes to HRM literature by studying theoretical framework and a model of possible implementation of SHRM in firms. This study assumes that SHRM is based upon HR systems, and so main SHRM practices in firms are HPWSs, which is defined as HR systems in American HRM view. According to Marler (2012), with HR systems approach, internal fit, external fit, and bundles of HRM practices are important to the achieve firm performance. Synergistic effect of HR systems leads to superior organizational performance (Marler, 2012). Thus, there is SHRM > HR systems > HPWSs approach in management of HR for performance in American HR.

Core of SHRM strategy is task performance. HR systems applied by HRM department increase task performance of employees. And task performance has an impact on firm performance. So, to increase impact of HRM on firm performance, HR must become member of board of directors, because by becoming board member, HR department may pursuit talent management policy. Major due of HRM in board is to affect human-related decisions, which are affecting talent management policy of firm.

There are two dimensions of SHRM in this study: individual performance and task performance. This study defines SHRM with HR systems. Firstly, HR systems have impact on performance of employees. Both individual and task performance have impact on firm performance, which is definition of Wright and McMahan (1992) in *Journal of Management*. In SHRM, firstly, HRM is attached with firm performance and secondly, HRM is attached with corporate strategy.

Currently in 2020s, two major frontiers of SHRM are Patrick Wright of Cornell University and David P.
Lepak of Rutgers University. Kaifeng Jiang is also upcoming frontier in France. Patrick Wright supposes performance in SHRM theory; and David P. Lepak supposes HR system and human capital. Lepak says that next of SHRM field is human capital approach. Jiang also tends to human capital approach.

HRM is related with performance both individual and firm performance. SHRM is related to strategy, performance, and HR systems. SHRM sets relation between individual performance and firm performance (Wright, 1992). Performance dimension of SHRM has wide discussion in the field of strategic human resource management (SHRM). Today, many HR scholars define SHRM with HR systems approach (Jiang, 2018; Lepak, 2007). HR systems set relation between individual performance and firm performance in field of SHRM. There is wide discussion in HRM literature about how HR systems affect individual performance of employees. Answers to those questions might be KSAs analysis. HR systems have impact on KSAs of employees.

This study discusses possible implementation of SHRM in organizations. According to Brewster (1999), there is inadequate conception of SHRM, even in 2020, because there is not clear definition of SHRM, and not clear apply of SHRM in firms. Among all, universalistic paradigm is more appropriate to SHRM, because there is direct link between HRM and firm performance in universalistic perspective. According to Wright and Haggerty (2005), there is universalistic perspective in relation between HRM and performance. Innovations made by HR create direct link in HRM. Universalistic perspective is not appropriate for European context, because there is effect of stakeholders, institutions, and society in HRM. In addition, American HR scholars define HRM as a particular set of practices, which sets HR systems approach and configurational perspective. In American HR literature, it is important to seek for mediating variables in universalistic linear relation, because mediators create causal and effect results. Further, American HR scholars also analyze variations in HRM practices, because perception and interpretation of HR professionals lead to variation in HRM practices.

References


