New Insights into Strategic Human Resource Management

Neda Rahimdoust Marandi

Department of Business management, Marvdasht Branch, Islamic Azad University, Marvdasht, Fars, Iran

Abstract

Strategic human resource management is a relatively new field of research that seeks to examine human resource practices from a macro perspective, examining the effects of HR practices on firm levels performance variables instead of individual level outcomes. Human capital is an important construct in a variety of fields spanning from micro scholarship in psychology to macro scholarship in economics. Within the various disciplinary perspectives, research focuses on slightly different aspects and levels of human capital within organizations, which may give opportunities for integration. Associated with the emergence of E-HRM and SHRM, it is predicted that such concepts will make HRM in organizations more strategic.

Introduction

The human resource of an organization offers the potential synergy for sustained competitive advantage, when properly deployed, maintained and utilized. From the onset, the traditional HRM, the formal system for managing people in organization concerned itself essentially with transactional and administrative support services. The emergence of SHRM, concerned with the relationship between HRM and strategic management of the organization, was a paradigm shift. The strategic business partner model emphasized the proper integration or fit of HR practices with the business strategies of the organization, to generate a competitive advantage. "To perform successfully, the roles of business partner and change agent under SHRM, the HR practitioner must be highly knowledgeable, multi-skilled and acquire core competencies like business knowledge, strategic visioning and global operating skills, credibility and integrity, internal consulting skills, among others". During the recent decades organizations have seen a dramatic shift in the business conditions in which they compete. Many of today's most influential organizations do not derive strategic advantage in the same manner that firms did past years. Organizations have primarily relied on physical assets to create wealth. In recent years, emerging industries and organizations have radically changed the nature in which wealth created. These high technologies organizations have built wealth and market power based on intellectual capital. "In the new economy, organizations increasingly compete based on knowledge and rely on their human capital and knowledge workers as sources of competitive advantages. The organizations which are most likely to succeed are those that can learn how to manage and build knowledge". However few organizations know how to effectively manage their intellectual capabilities and those that do are likely to be of high

performance for the forthcoming decades. "Although it has been widely recognized that our society and businesses are being driven by knowledge, few researchers have addressed how organizations create and process knowledge"[1]. Approximately 10 years ago a group of scholars across several disciplines helped create a research group in the Strategic Management Society entitled strategic human capital (SHC). This group focuses on 'human capital' within organizations but tends to adopt a strategic or economic lens to understand how human capital may serve as a valuable resource and examines issues related to value capture and creation and mobility of knowledge and skills. Along a parallel path, researchers in the area of strategic HRM have been studying 'human capital' to understand how the management of people within organizations may relate to important organizational and individual outcomes. Strategic HRM scholars focus mostly on investment in human capital to increase firm performance, by using systems and practices aimed at developing and managing an organization's human capital. While these two streams focus directly on 'human capital' we fear that some of their conversations talk past each other or are parallel. Our view is that there may be opportunities for integrating these different areas of research. Our aim is to describe both SHC and strategic HRM research streams and to propose areas of integration of both literatures. [2].The past decade has witnessed a surge in the use of innovative information technologies (IT) in human resource management (HRM). The spread of these internet-based HRM IT innovations, generally labeled e-HRM, may be attributed to the promise of significant economic efficiencies in processing administrative transactions and communicating information. The promise of this technologically induced shift in the organizational role of HRM is based on the notion that use of information technology affects how organizations are structured. With greater automation of administrative tasks and increasingly distributed access to data, decision-making is decentralized so that those performing HRM tasks now can more effectively focus on complex, judgment-oriented and professionally demanding tasks and responsibilities. In this sense, jobs in HRM are upskilled as an adaptation to the effects of new technological advances. This perspective, however, competes with an alternate view. In this alternative perspective, managerial strategic choice plays the primary role and choices are made concerning how technology best serves the organization in achieving strategic objectives. From this perspective, when e-HRM is adopted and how it is deployed is the result of strategic decision-making and managerial intent. In this sense therefore, the emergence of e-HRM in organizations is a planned outcome of strategic decisions concerning how to provide HRM services. In many cases, the planned outcome might simply be to make the delivery of HRM services more efficient rather than transform HRM jobs into strategically important roles [3]. These central concepts of people, practices, planned pattern, and purpose form the context for exploring Strategic HRM in the 21st Century as discussed in the papers comprising this special issue. Each of these concepts merits deeper analysis as we enter the 21st Century. Research in Strategic HRM inconsistently conceptualizes and operationalizes them, making it quite difficult to adequately assess what, exactly, we know and do not know as a field. If we, as a field, hope to build, develop, and test theories of Strategic HRM, we first need consensus regarding definition of the domain of the field, as well as how to both conceptualize and operationalize the major constructs that comprise the field. Such analysis forms the foundation for the next generation of Strategic HRM research. This body potentially can provide an exponential increase in our knowledge base regarding how people can endow firms with sources of competitive advantage. The opening article explores the concepts of people and practices as they question the adequacy of the current domain of Strategic HRM research. It has been argued that the field has come to an evolutionary crossroads and that significant incremental contributions to our knowledge will require stretching the boundaries of how we define and research Strategic HRM. It is then proposed that three areas of inquiry that can "push the envelope" forward. First, it is noted that much of what now falls within the domain of Strategic HRM consists of studying the

role of HR practices in promoting employee involvement or the high involvement workplace. It is advocated the use of the significant research and theory base of the historic employee involvement literature as a means of promoting greater theoretical development regarding our knowledge of Strategic HRM. Second, it is explored the notion of diversity, particularly focusing on its potential to provide firms with sources of sustainable competitive advantage. [4] .The strategic human resource management (HRM) business partnership role is an agreed priority within the HRM literature. The strategic HRM imperative has indeed elevated HRM's positioning in organizational decision making processes: a "seat at the table" is now an expectation rather than an aspiration for senior HRM managers. There are, however, costs and tensions associated with HRM's strategic positioning. Whilst the business partnership role has provided HRM with potentially greater influence, there is an assumption that HRM now sits within the general management group. When adopting the unitarist view of employee and employer goal alignment this situation does not necessarily pose a problem, but the assumption of unitarism may not always hold. Soft versus hard versions of HRM, for example, present quite different views of the purpose of the employment relationship. In the soft interpretation employees are seen as creative, proactive and worthy of development. In contrast, hard approaches, which focus on how HRM systems can drive the strategic objectives of the organization, see human resources (HR) as passive resources that are provided and deployed as needed. Strategic choices similarly impact on HRM's interpretations of the employee–employer relationship. Where the choice is made to operate in a labor intensive, high-volume, low-cost industry, for example, employees may be seen as a variable input rather than a valuable asset worthy of respect. It is very possible, therefore, that the unitarist assumption underpinning the contemporary HRM approach may break down and HRM is left in a position where it is straddling (often poorly) existing employee custodial responsibilities alongside new strategic management roles. The purpose of this paper is to explore the impact of HRM's shift from an employee focus to a strategic focus and provide an overview of the implications thereof from an employee perspective. Although organizations should of course be concerned about employees – employee welfare is not only the province of the HRM function – we nevertheless propose that a lack of concern for employee welfare is particularly problematic for HRM. In order for HRM professionals to play this role effectively, however, they must be willing to critically analyze HRM and its seemingly unabashed acceptance of both unitarism and the move towards a strategic role [5].

What is strategic HRM?
Strategic HRM can be defined as 'the pattern of planned HR deployments and activities intended to enable an organization to achieve its goals'. HR practices are considered as a bundle or system that collectively enhances the skills and motivation of the workforce. The human capital pool is created and maintained, as well as motivated by using multiple HR practices, which is likely to enhance the overall effectiveness of the HR system. Compared to a more traditional approach to HRM scholarship focusing on specific HR practices such as recruitment, selection, training, development, performance appraisal, and rewards, strategic HRM focuses on whether and how systems of HR practices help organizations achieve strategic goals and enhance firm performance. This involves several features that are distinct from a traditional HRM approach, which will be explained below. Strategic HRM research focuses on systems of HR practices, which – as a whole – affect performance-related outcomes at the organizational level. The basic idea is that since synergies can occur among specific HR practices, it is appropriate to examine the entire HR system rather than individual HR practices. Second, studies on strategic HRM have focused on the added value of HRM by establishing a link between HRM and firm performance. The suggestion here is that if HR systems add value it should show up as a positive influence on overall firm performance. While the original studies focused primarily on financial and operational firm performance outcomes , research has focused more recently on multilevel mediating factors and also

considered a broader range of outcomes at the collective level.

Historically, there have been two dominant theoretical orientations underlying the relationship between HR systems and performance: best practice and best fit. The best practice perspective argues that some HR practices or HR systems are universally effective – adopting this set of practices is expected to always lead to better results, regardless of the context . for example, drew on prior research to propose a set of 'best practice' HR practices based on previous research, including selective hiring, extensive training, employment security, self-managed teams, high pay contingent on performance, reduction of status differences, and sharing information. This best practice approach helps researchers document the benefits of HRM across all contexts. More recently, researchers have focused on the beneficial effects of High Performance Work Systems across a variety of contexts and related to a variety of relevant outcomes. In contrast, the best fit perspective states that the effectiveness of HR practices is contingent on the organizational context. The best fit perspective highlights the importance of alignment between the HR system and context of the organization. Conceptually, researchers have suggested, for example, that firms that pursue a cost reduction strategy need a different set of HR practices than organizations that pursue an innovation strategy. Others have argued that institutional fit, linking the HR practices to legislation and external stakeholder demands, is required to gain social legitimacy and avoid economic losses through reputation damage. The

RBV has been one of the most dominant theories in the strategic HRM field. The RBV originates from the strategic management literature and has been applied to explain why HR systems may be a source of competitive advantage. The overall argument is that while individual HR practices cannot be a source of sustained competitive advantage because they are easy to identify and imitate, systems of HR practices involve causally ambiguity and social complexity that can make them difficult to imitate by competitors. In addition to the RBV, strategic HRM scholars have invoked a behavioral

perspective, which suggests that HR systems are designed with an intent to encourage appropriate role behaviors by employees given the relevant contextual needs of the organization. Extending this perspective, HR systems are used to create and maintain valuable human capital resources with the potential to increase organizational performance. Together, these perspectives emphasize that besides having the necessary knowledge and skills, the HR system also needs to elicit desired employee behaviors, because employees have agency regarding their behaviors[2].

Strategic HRM orientation to human capital

In strategic HRM, human capital has typically been conceptualized as employee KSAOs at the individual level, originating from the psychology literature, or as the composition of employees' KSAOs at the collective level. Although research recognizes the potential that human capital has for impacting firm performance, its main focus is not on the nature of human capital itself, but rather on the role of HR practices in acquiring and developing human capital, as well as the role of line management enactment of HRM. In line with this, based on human capital theory and the RBV, human capital is commonly examined as a mediator that explains the relationship between HR systems and performance. Based on the AMO model, for example, studies have included human capital, motivation, and opportunities to contribute as mediators in the relationship between three HR bundles and performance, reflecting different paths from HR bundles to performance. Skill enhancing practices affect performance via enhancing human capital, and motivation- and opportunity-enhancing practices increase performance via enhancing employee attitudes such as motivation and empowerment. By seeing human capital as a mediator in the HRM – performance relationship, the main focus is on how to influence the current stock of human capital by the use of bundles or systems of HR practices, and how the organization's human capital – in combination with motivation and opportunities to contribute – helps to enhance performance. Most strategic HRM models tend to focus on the average

employee, or on the aggregate of individual human capital, viewing human capital not as a unique or complementary combination of KSAOs of employees, but as the average of the individual KSAOs of the organization. The underlying assumption is that HR systems target the average worker and do not typically differentiate between different types of employees. Scholars do suggest, however, that there may not be a single HR system that is effective for all employees. Different employee groups, distinguished based on their human capital characteristics, may require different HR practices in order to achieve the best results. for example, proposed four employment modes based on two human capital characteristics strategic value and uniqueness. Others have made a related distinction between core and non-core or support employees, and show that HR practices for these groups differ. Although many researchers would agree that it is important to take into account different employee groups when examining the effectiveness of strategic HRM, few studies have focused on such differences[2].

Management of human capital

In regards to the management of human capital, SHC researchers have highlighted the value of resources orchestration which involves decisions such as deciding when, where and how to assign individuals to teams and tasks. SHC researchers are also beginning to consider various factors that can augment the human capital of their employees and their use in tasks. For example, the emergence enabling factors noted by Ployhart and Moliterno (2011) relate to improving the coordination of human capital in a group, diffusing and developing knowledge of unit-members, and increasing the link between the endowment of a given stock of human capital and individual and collective outcomes. To the extent that these factors improve the quality of outputs and/or efficiency of operations, there is the chance that such activities can increase the amount of economic value created from a firm's human capital resources. As noted above, a key issue with such efforts, however, is managing the ability of firms to capture a portion of any increased value creation. As individual performance increases, employees often desire and expect increases in compensation.

If increased compensation is granted, the amount of value captured by the firm decreases and if the request is denied, employee withdrawal or mobility could result and decay value creation. In thinking about this key challenge, important consideration has been placed on the notion of complementarities. Complementarities, which relate to contextual factors that enhance the performance that can be derived from a particular resource, have been suggested as a potential way in which firms can manage these tensions between value creation and capture. The basic idea is that complementarities can enhance value creation from a given stock of human capital resources and introduce bilateral bargaining positions that allow the firm to capture a portion of the created value. In particular, if an individual's improved performance is due, in part, to contextual factors created by the firm, then the firm has a bargaining position in which they can credibly negotiate to capture some of the increased value creation. It is worth noting, however, that the mere presence of complementarities does not necessarily mean that a firm will capture a portion of improved economic benefits from human capital resources. Rather, a certain level of managerial/leadership skill is likely required during the interactions and communications that surround such negotiations[2].

E-HRM and HRM

Conceptually, it turns out that defining and measuring e-HRM technology and information technology, more generally, is challenging because technology has both a physical and a procedural dimension. Thus, information technology is a physical entity that is separate from individuals but at the same time the physical technology is nothing without individuals using it in organizational tasks. With this challenge in mind, we draw our definition from Marler and Fisher (2013), in which the information technology is a physical entity that is separate from individuals in an organization but at the same time also incorporates organizational processes such as HR activities. Thus, in this study e-HRM consists of configurations of computer hardware, software and electronic networking resources that enable intended or actual HRM activities through coordinating and controlling individual and group-level

data capture and information creation and communication within and across organizational boundaries. E-HRM in organizations varies from the degree of physical presence and the degree to which it is used to enable increasingly coordinated individual and group-level transactions that capture HR data, creates HR information and provides HR data access and information regardless of geographical constraints and organizational horizontal and vertical differentiation. Variation in e-HRM, therefore, represents variation in organizational capability to support increasingly coordinated and automated individual and group transactions involving HRM data capture, creation and communication using internet-based information technology resources[3].

HRM as strategic

An early and widely accepted definition of strategic HRM is 'the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals. The definition subsumes the notion of human resource bundles or configurations, as patterns of activities that develop over time that support successful adaptation and organizational performance. Most research has focused on this aspect of strategic HRM. Less attention is paid to another strand of the strategic HRM research, which describes and analyzes the involvement of the HR function in the strategic management process. In this conception of strategic HRM, the term 'making HR more strategic' draws on Ulrich's early model of strategic HRM which posits that the way for the HR function to become more involved in the strategic process is for the HR function to change from being primarily an administrative expert to being a strategic business partner and supporting the strategic process. In the strategic management process, managers dynamically search for business strategies that respond to problems and challenges posed in the external environment, arriving at strategic responses through a strategy formulation process, and implementing strategy and changes incrementally. Marler (2009) suggests strategic HRM emerges from this larger process in which strategy formulation

involves top managers making decisions that affect HR-related goals, practices and policies. In firms where the dominant HR functional capability is that of administrative expert, these goals are likely to be limited to building an efficient administrative infrastructure such as tracking job requisitions, managing employee payroll, benefits programs and EEO compliance rather than HR professionals engaging in transformational HR activities like HR strategy development that better align with product or service strategies as a strategic business partner. Therefore, in this paper, we define HR strategic involvement as HR professionals' involvement in HRM strategy or policy development[3].

These central concepts of people, practices, planned pattern, and purpose form the context for exploring Strategic HRM in the 21st Century as discussed in the papers comprising this special issue. Each of these concepts merits deeper analysis as we enter the 21st Century. Research in Strategic HRM inconsistently conceptualizes and operationalizes them, making it quite difficult to adequately assess what, exactly, we know and do not know as a field. If we, as a field, hope to build, develop, and test theories of Strategic HRM, we first need consensus regarding definition of the domain of the field, as well as how to both conceptualize and operationalize the major constructs that comprise the field. Such analysis forms the foundation for the next generation of Strategic HRM research. This body potentially can provide an exponential increase in our knowledge base regarding how people can endow firms with sources of competitive advantage. The opening article by McMahan, Bell, and Virick explores the concepts of people and practices as they question the adequacy of the current domain of Strategic HRM research. These authors argue that the field has come to an evolutionary crossroads and that significant incremental contributions to our knowledge will require stretching the boundaries of how we define and research Strategic HRM. They then propose three areas of inquiry that can "push the envelope" forward. First, they note that much of what now falls within the domain of Strategic HRM consists of studying the role of HR practices in promoting employee involvement or the high involvement workplace. They advocate

the use of the significant research and theory base of the historic employee involvement literature as a means of promoting greater theoretical development regarding our knowledge of Strategic HRM. Second, they explore the notion of diversity, particularly focusing on its potential to provide firms with sources of sustainable competitive advantage. This analysis focuses on the critical role that all people (particularly those of different ethnic or gender groups) can play in firm performance, and how HR practices can help exploit that value. Finally, expanding beyond mere demographic notions of diversity, they argue that in today's increasingly global competitive arena, Strategic International HRM takes a position of profound importance. Again, this discussion highlights the need for proper HR practices to maximally gain the value that comes from people when these people live in different cultural, economic, and political circumstances[4].

Organizational Knowledge Creation Capability

In recent decades, there has been a paradigmatic shift in the research on organizational performance and strategy researchers have begun to focus on internal resources as the drivers of organization performance. Specifically, intangible resources are seen as being the key to sustained competitive advantage because they are difficult to identify and imitate. "Organizational knowledge creation capability, the ability of an organization to generate new knowledge through its employees, is an intangible resource which has received increased attention in recent years". This capability is seen as being essential to organizational performance, because it allows organizations to continually create new sources of advantage and adapt to changes in the environment. Organizational knowledge creation capability is crucial because it allows organizations to be innovative, thus helping them maintain or extend their strategic advantage over time. If the organizational ability to create knowledge is truly the primary source of sustained competitive advantage for organizations, then it is critical to understand how organizations can develop this capability. "New knowledge creation takes place in the minds of

individuals. If organizations are to encourage new knowledge creation, then they must encourage the sharing of information between individuals". Since knowledge creation depends on the knowledge and motivation of individuals in the organization, it seems likely that organizational practices and policies which affect the human resource of the organization will be one of the major factors that underlay organizations knowledge creation capabilities. "Specific sets of human resource practices can be used to build unique firm competencies which will drive firm performance and provide sources of sustained competitive advantages". Thus it appears that human resource practices are most likely having a strong potential as the key driver of the ability of an organization to create knowledge [1].

Strategic Human Resource Management

The field of strategic human resources management has enjoyed a remarkable ascendancy during the past two decades, as both an academic literature and focus on management practice. "The transition from the older HR practice with focus on staff matter to a subject of re-birth which focuses on linking people as organizational assets with the business strategy of the firm, means that the HR professional is performing a new and more challenging responsibility that requires new competencies and skills". One has to think outside of the limits of the traditional organizational box of HR and develop a radically different approach to manage the human capital and create a fit between HR architecture and business strategy formulation and implementation in the firm. "The HR architecture is composed of the systems, practices, competencies, and employees' performance behaviors that reflect the development and management of the strategic human capital in a firm". Strategic human resource management focuses on the impact of human resource practices on performance at an organizational level of analysis. SHRM researchers examine the role that human resource play in organization performance, particularly focusing on the alignment of practices with organization strategy as a means of gaining competitive advantage. There are a number of issues with the research on SHRM that must be addressed

in order to understand how SHRM can affect workforce characteristics and organizational knowledge creation capability. First, it is important to identify the appropriate level of analysis at which this field should be studied. Second, it is essential to identify the most appropriate way to view systems of HR practices. Third, after determining the appropriate level of analysis and the appropriate way to view systems of practices, it is critical to identify the most appropriate means with which to measure these systems of practices. Finally, it is important to understand more clearly the mediating links between bundles of HR practices and organizational performance [1].

Configurational Approach to SHRM

Managing the human resources in the organization is the traditional responsibility of the personnel manager, a precursor to human resource management (HRM). "Some scholars however equate HRM with personnel management, concerned with providing staff support in the organization. Other scholars consider HRM as a natural development of personnel management practices in the face of changing economic and business environment". The people management discipline is undergoing continuous metamorphosis, with the recent emergence of strategic human resource management (SHRM) in organization and management literature. The authors identify the following seven themes which influenced the development of the field of SHRM: explaining contingency perspective and fit, shifting from a focus on managing people to creating strategic contributions, elaborating HR system components and structure, expanding the scope of SHRM, achieving HR implementation and execution, measuring outcomes of SHRM, and evaluating methodological issues. SHRM is evolving as a new approach to the management of people, and specifically focusing on integrating the human capital to business strategy to enhance organizational competitiveness. "SHRM researchers have consistently argued that organizations must internally align HR practices with one another in a coherent system that support each another and align these systems of practices with key organizational contingency variables". The internal

alignment of practices with one another has commonly been referred to as horizontal fit. Researcher have argued that one HR practice may only be effective in producing desired effects when certain other HR practices are also in place. "A best approach to SHRM should explore unique bundles of practices that create value for a firm by creating workforce characteristics that produce a competency that is valuable for the organization in its competitive setting. This approach has been termed a configurational approach". Systems of HR practices lead to organizational performance only when they are properly aligned with one or more contingent variables of the organization. If organizations are creating strategic advantages through a knowledge-creation capability, then configurations of SHRM practices should be used to build the workforce characteristics (human capital, motivation, and turnover) which lead to this capability [1].

What is SHC?

Interest in human capital as a strategic resource arose as part of the development of the resource-based view (RBV) in strategic management. As strategy researchers started to identify firm resources that meet the basic criteria of the RBV (valuable, rare and imitable), human capital was highlighted as a resource that could help firms achieve a competitive advantage, and ultimately superior firm-level performance. The basic idea was that human capital has the potential to be a source of competitive advantage because: (1) a firm's stock of human capital can be a key

determinant of the quality of outputs and/or efficiency of operations (i.e. human capital resources are valuable); (2) human capital resources are heterogeneously distributed among firms (i.e. human capital resources can be rare); and (3) factors such as specificity, social complexity and causal ambiguity can hinder the flow of and replication of human capital resources (i.e. human capital resources can be difficult to imitate). As initial studies showed positive links between a firms' stock of human capital resources and firm-level financial performance, scholars within the field of strategic management started to increasingly focus their research efforts on human capital as a unique strategic resource. Economics is

the theoretical foundation for much of the research on SHC. Specifically, concepts such as economic value, stakeholder bargaining power, and isolating mechanisms are central theoretical frameworks that guide a substantial amount of the research into the strategic relevance of human capital [2].

Strategic shift in HRM

A significant trend in HRM theory and practice has been toward making the function more supportive of organizational strategies, transforming human resource management (HRM) into strategic human resource management (SHRM). In this line of analysis, the role of HRM seems to be largely assumed: HRM should promote the interests of the organization whilst discharging the organization's legal (and to a lesser extent, ethical) obligations to employees. This is not surprising, given the role of government regulation in the employment relationship and the increasing desire of HRM professionals to be strategic partners rather than mere members of the "personnel department." In this regard the strategy of HRM practitioners and academics is entirely rational: increase the legitimacy of HRM by adopting the dominant ethos of organizations, which are efficiency and strategy focused. However, the position of HRM is complicated by the duality of roles that HRM managers have historically played as employer representatives and advocates for employee interests. Further, HRM as we know it today is quite different in its orientation from previous manifestations of HRM in organizations; we propose that changes in HRM theories and practices have generally been driven by changes in the broader social, legal, and political climate in addition to organizational demands for efficiency. Whilst HRM has long been concerned with how employment practices affect organizational performance, we propose that there has been a wholesale and often uncritical adoption of the language and motivation of strategy within HRM to the detriment of ethical reflection about how employment practices affect various stakeholders — most obviously employees. We offer a critique of this shift, focusing on the often-latent but continually present assumption of unitarism – that the organization's and its employees' interests

are one in the same – within HRM scholarship and practice. The assumption of unitarism, as we will note, represents a shift in thinking from that offered by industrial relations frameworks that are generally pluralist in nature, recognizing that whilst organizations and their employees may have some set of common interests it is more usually the case that the interests of both parties to the employment relationship are in at least partial conflict. As a result, HRM has become less employee focused and more organization and strategy focused, often to the detriment of employees. The role of HRM within the organization has changed over time. HRM as we know it today developed from personnel management, and was meant to encompass a broad range of employee concerns and employment policies. Insights from the human relations and human resources schools of thought have found their way into HRM as a means of trying to make organization-employee relations more just and humane, thus avoiding some of the organization-centric employment practices and perspectives on employees engendered by scientific management and administrative theory. In the last several decades HRM has changed its focus again and again, most recently from making

the organization lean and efficient through business process reengineering to seeking to add value to the organization through strategic HRM. Significantly, the form and function of HRM follows wider trends in organizations, strategies, and management philosophies rather than leading them. Further, whilst both personnel management and HRM have a common concern about organizational outcomes, what differentiates HRM is its particular focus on "policies designed to produce strategic integration, high quality, high quality, and flexibility among employees". The definition of "strategic" comes from outside the function, and HRM thus seeks to make itself strategic by seeking to accomplish goals thought to be valuable to the organization. In this way HRM runs the risk of becoming tautological; companies that are financially successful become the exemplars of good HRM practices and those HRM practices are then deemed to be "strategic" because their HRM practices were believed to have contributed to financial success. Of course,

the definition of "strategic" comes from the (non-HRM parts of) organization and its managers, rather than from its employees or other organizational stakeholders. As we noted before, HRM thus lags rather than leads with regard to organizational theory. Because HRM and SHRM, like other fields within management, is largely positivist and managerial in its orientation it has changed as the assumptions about employment and management have changed at the organizational and societal levels. At the organizational level, we have already noted the intensification of expectations that HRM practices will directly have a positive effect on organizational performance. At the societal level, there have been changes in the ways that wages and working conditions are determined, key HRM tasks such as selection are carried out, and workers are represented and protected. Many of these societal-level changes have come about as the result of legal and legislative changes, and others have been the result of changing stakeholder expectations regarding ethical employment practices. Contemporary HRM managers are compromised and face moral dissonance by virtue of dual expectations and roles. As organizations face increased competitive pressures, HRM managers in turn face pressures to emphasize employer goals, often to the detriment of advocating for employee welfare. Further, HRM professionals are necessarily constrained by demands of their senior (line and general) managers and organizational cultures. Wiley (1998) found that regardless of other factors like gender or company size, the ethical behavior of HRM managers (using the term "employment managers") is most directly influenced by the behavior of senior managers and their immediate organizational supervisors. Foote and Robinson (1999) further found that the extent to which HRM professionals could influence organizational ethics was contingent on the organization's culture and structure. HRM professionals seem increasingly unable to resist the pull of the organization and its demands for loyalty, and thus find themselves facing increasing demands for conformity even when those demands strongly conflict with the rights and interests of employees and perhaps even the HRM professionals' own ethical instincts[5].

Strategy as exclusive of employee focus
SHRM can be understood as a response to the perception that HRM is a tangential staff function − focused on tasks such as hiring, compensation, and legal compliance − which can easily be minimized and/or outsourced. However, SHRM has a dark side as HRM professionals face pressure to eschew their traditional roles as employee champions in order to become accepted by others within their organizations as business partners. Wilcox and Lowry (2000) argue that reframing HRM as SHRM permits the acceptance (by HRM professionals) of using individuals as economic ends. HRM strategies that once would have been seen as radical − like large-scale downsizing and the use of contingent workforces − are now mainstream strategic choices. Such "strategic" choices can lead to the subordination of fundamental human rights owed to all
employees, such as safe workplaces, fair compensation, and freedom of association in addition to more general ethical duties such as fairness and justice. Indeed, many HRM strategies are not unitarist at all, but rather place the organization's goals as prior to and more important than those of employees.

Understanding unitarism
Here it is necessary to note the shift toward unitarism within HRM theory and practice and trace through its effects on ethical analyses of HRM. Guest notes that "HRM values are unitarist to the extent that they assume no underlying and inevitable differences of interests between management and workers." We would expand this point to take in the interests of organizations generally. A unitarist perspective on HRM thus would bring together strategic imperatives for the organization with the fulfillment of ethical duties owed by an organization to its employees. In short, if unitarism within HRM were empirically true, then no conflicts between organizational and employee goals would exist; further, there would be no need for ethical analyses of employment practices at all. However, we think that this analysis is entirely too simplistic and fails to account for the real conflicts and differences of interests latent to the employment relationship. The construct of unitarism can be studied and

developed using three different epistemological levels – normative, conceptual, and empirical – following established arguments in business ethics and stakeholder theory. A normative or prescriptive approach is an attempt to formulate and defend norms based on agreed standards and thus tell us what "should be." Normative unitarism would suggest that organizations and employees ought to have the same interests as an ethical imperative; left unanswered in this analysis is which party gets to define those interests. A conceptual or theoretical approach considers ideas, constructs and the relationships between them, thereby exploring what "could be." Conceptual unitarism seeks to develop frameworks that are theorized to connect HRM practices to the goals of employees and organizations. An empirical or descriptive approach considers factual description and explanation of what "is" and to some extent assumes a measurable objective reality. Empirical unitarism seeks to assess whether a HRM practice actually aligns the interests and objectives of organizations and their managers. We suggest that normative unitarism, the understanding that organization and employee interests should coincide, may be appealing as an ideal but fails to account for the fact that employees have good reasons for interests that do not completely overlap with those of their organizations. At both the conceptual and empirical levels, unitarism fails to account for the fact that organizations and employees often have goals that both conflict and cohere. Both conceptual and empirical unitarism are problematic in practical terms because they treat all employees as similar in their interests, goals, and utility to the organization. Most problematic about unitarism in all of its forms is its lack of inclusion of power in analyses of employee-organization relationships. Some employees – namely those believed by the organization to "possess" rare and valuable forms of human capital – are able to exercise power in their relationships with employers. For most employees, however, this is not the case. To the extent that an employees' skills are perceived to be (correctly or not) commodities, they will have little power to seek changes in the employment

relationship. Most employees receive "contracts of adhesion", structured by their employers, which the employees can take or leave but not change. The literature on SHRM seems to embrace positivism and managerialism to a degree that is inconsistent with honoring ethical duties to employees and HRM's own history as a field. Indeed, calling HRM "strategic" creates a set of ethical implications. What does it mean, for example, to call a human being or group of human beings "strategic assets?" Related to this point is the increasing tendency to view employees as sources of human capital; such a tendency may cause employees to be valued for their "resourcefulness" than their humanity. Human capital analyses may turn employees into commodities. To the extent that SHRM focuses on reducing core workforces and outsourcing work – say manufacturing to developing countries – further ethical issues arise. Wilcox and Lowry note that what has been commonly referred to as "hard" HRM – viewing employees instrumentally as a means of achieving the organization's goals – is now cast as SHRM. However, strategic HRM choices can lead to the diminution of fundamental human rights and violate ethical duties owed to employees, whether they work for the organization or for a firm that supplies services to the organization such as a contract supplier. More directly, the assumption of unitarism within contemporary HRM masks a number of important ethical issues. First and foremost, not all employees are considered "strategic." Some employees, mostly those with rare and valuable skills, are likely to benefit from being considered strategic with regard to helping the organization achieve its goals. The strategic imperative of HRM would lead to different counsel vis-à-vis different employee types for HRM professionals and organizations. For the employees deemed to be strategic, the organization would seek to find ways to make them happy and to motivate their actions toward achieving the organization's goals. For such employees, it may be possible to achieve congruence between normative and empirical unitarism. However, this group of employees is small relative to the second and larger group of employees deemed by the organization to be easily replaceable sources of commodity

labor. The implicit counsel offered to an organization by HRM scholarship regarding these employees is to reduce the organization's commitment to them through the use of temporary labor, contingency contracts, and HRM practices focused on labor cost reduction. For these employees, lack of empirical unitarism is likely to undercut any pretense of normative unitarism; rather, the organization's priorities take precedence and employees' take a back seat. Second, unitarism within HRM fails to account for issues of power in relationships between organizations and their employees. The stakeholder framework offered by Mitchell, Agle, and Wood (1997) offers three relational attributes that an organizational stakeholder can possess: power (the ability to impose one's will on another), legitimacy (a social judgment about the normative rightness of a stakeholder's claims and themethods used to press it), and urgency (the time sensitivity of a stakeholder's claim). Stakeholders possessing all three attributes are often called "definitive," and organizations are counseled to take their claims seriously and to seek to satisfy them. Stakeholders with legitimate and urgent claims are called "dependent," and the organization can seek to recognize their claims or not, depending on the organization's goals. Following the previous line of analysis, we propose that most employees are in fact dependent rather than definitive stakeholders, and their lack of power makes it harder for them to ensure that they are treated fairly. Specific to the present analysis, a lack of employee power means that alliance of interests between employees and organizations is in fact empirically false. Organizations are more effective at achieving their goals if they make it harder for many employees to achieve theirs. This is particularly so when employees lack power to affect the terms of exchange with their employers. Models of employer-employee relations that are pluralist – recognizing that the parties to the employment relationship have interests that sometimes converge but often diverge – are thus more accurate descriptively than unitarist models thereof. Pluralist models which view conflict between the interests of employers and employees as normal and inevitable should recognize that normative principles are needed to resolve the conflict.

Realism about the effects of power differentials in the organization-employee relationship is emblematic of labor and industrial relations scholarship, but not HRM scholarship.

By virtue of the role that employees take on as employees, it can be argued that they are required to subsume their interests to those of their employers. Power imbalances are endemic to the employment relationship, and particularly so when the employees are thought to be sources of commodity labor. On this point HRM scholarship often differs in its analyses and conclusions about the employment relationship relative to industrial relations scholarship, which we propose has a more realistic account of power. The happy story offered by much of HRM scholarship and practices – positive outcomes for employers and employers – is thus unrealistic at best and cynical at worst. Empirically, the proposition that unitarism in the employment relationship is true can be tested as can any other proposition or hypothesis. If unitarism within HRM is empirically true, then there is no need to engage in normative analysis as the interests of employees and organizations would be one in the same. Ethical analyses are most useful in the organizational context when they are brought to bear on conflicts among interests — especially between the organization's goals and the goals of one or more stakeholder groups. The less empirically true unitarism within HRM is, the greater the need for normative analyses of HRM policies and practices. Finally, unitarism within HRM runs into the same problem that calling employees as a group "stakeholders" does: it treats employees as a group that is homogeneous with regard to its interests and goals. As we have previously noted, power affects the ability of an employee to have his or her goals taken into account by the organization for who they work. Indeed, for HRM to be truly strategic, it should explicitly recognize differences among employees and seek to motivate their behavior accordingly. Organizations do not employ groups of employees, but rather employ individuals who are grouped together by the organization. Of course, as we have already noted, the tools and effects of strategic HRM are likely to be experienced very differently by different individuals in the organization. The general

point remains that there is no such entity as "employees," but rather there are individuals who are employed by organizations, are acted upon by the organization through the implementation of HRM practices, and experience outcomes differently from each other. The terminology used by academics and practitioners matters. Strategic HRM has embedded in it a particular ideology. Strategic HRM, whether used as language or comprising sets of practices has ethical implications. We thus offer a provisional account of unitarism within HRM, using a series of two-circle Venn diagrams which depict the intersection (or lack thereof) between employee and organizational interests (see Fig. 1) in which the interests of organizations occupy the left circle and the interests of employees the right. As a practical matter, a Venn diagram in which the interests of organizations and employees do not intersect at all would be a null set. No employee would work for an organization if none of his or her interests were met. No organization could employ individuals who did not seek to further – at least in part – the interests of the organization. However, the optimistic story offered by SHRM – of organization and employee interests intersecting to a high extent – is false. In part this is because the organization "offers" the role of employee, defines what that role is, defines what a successful employee does, controls mechanisms of rewards and promotions, and defines the purposes and goals of the organization — and by extension, of the employee. Further, the imbalance of power between organizations and the vast majority of employees makes this story implausible. As we have noted, many of the practices associated with strategic HRM run counter to the interests of employees. To the extent that strategic HRM means reducing the organization's commitment to and remuneration of employees, an inevitable conflict exists. Further, employees have may have goals that do not further, or indeed may be in conflict with, the interests of the organization. We propose that a Venn diagram in which there is a variable but limited intersection of the interests of organizations and employees as the most accurate depiction of the relationship (see Fig. 1). Employees who have a degree of choice will choose to be employed by

organizations that meet at least some of their needs partially, even if those needs are as obvious as the need to earn an income. However, because organizations define the employment relationship, offer the role of employee to individuals, and define success in organizational terms, the interests of employers will by definition take precedence over those of employees. Further, the extent of overlap of interests between organizations and employees depends on attributes of the employees; the greater an employee's power, the greater the degree of overlap between the organization's and employees interests as the organization seeks to achieve alignment, albeit for their benefit rather than that of the employee.
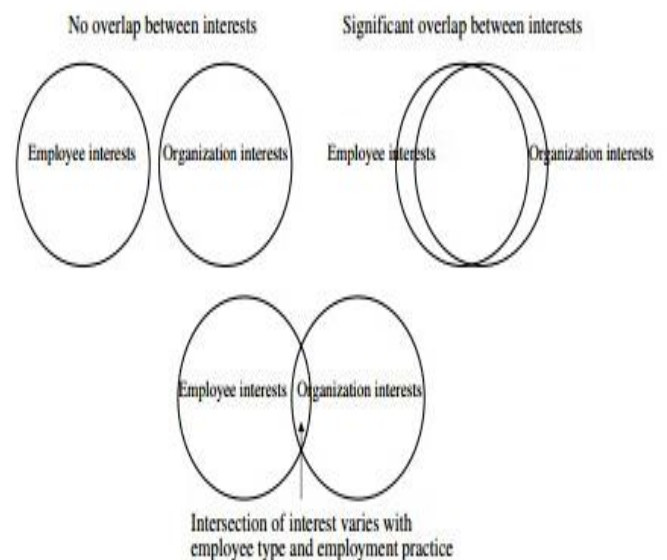

Fig1: Models of intersecting employee interests and organizational interests.

We also note that the intersection between organization and employee interests exists for some, but not all, employment practices. Some employment practices might genuinely serve the interests of organizations and employees; in such cases employee welfare would be conceptually and empirically unitarist with organizational goals. However, many employment practices would not fit this pattern, especially those that seek to reduce commitment to employees and their remuneration. Such practices would therefore be strategic from the standpoint of the organization but not unitarist from the standpoint of the employee or of a neutral observer. The language of strategy is often descriptively correct when discussing HRM

practices, both in terms of their intent and their effects on employers and employees. However, when there are conflicts between an organization's interests and the interests of some subset of its employees, the languages of strategy and employee welfare will conflict also [5].

Conclusions

To function as a strategic business partner and successfully execute the new critical and challenging responsibilities, human resource professionals need to possess the relevant strategic skills or core competencies. This study significantly adds to the SHRM literature, because it provides support for the notion that different SHRM configurations are significantly related to organizational knowledge creation capability through the influence on workforce characteristics. The study provides evidence that organizations can affect key workforce characteristics by aligning SHRM configurations. Therefore managers in public organizations should clearly identify the workforce characteristics they wish to build and then put a set of suitable configurations in place. Moreover, this study suggests that organizations can increase their ability to act and adapt by attracting employees who have greater knowledge and skills built through work experience. When employees in an organization have many years of work experience, they are more likely to have a good degree of overlapping understanding of the organizations' services; thus they are more likely to be able to absorb information which is exchanged and learn from one another. Organizations can increase access to non-redundant information and ideas when their employees are motivated to share their knowledge. Further, organizations are also likely to increase productive combinations and exchanges when they establish a field of social exchange. Thus, organizations can increase their knowledge creation capability by building a workforce with a high level of relevant work experience, motivating employees to share their knowledge and retaining employees who have key knowledge and skills. Finally, the results showed significant relationships between organizational knowledge creation capability and organizational innovation, therefore, organizations with a greater knowledge creation capability are more likely to be able to adapt and succeed when encountered with dilemmas or entangled in critical situations. Thus organizations must enforce organizational knowledge creation capability and increase innovation to sustain long term organizational success and guarantee their survival in future competitive markets. In this paper we have given an overview of research in SHC and strategic HRM, and focused on the perspectives of both streams of research on the nature of human capital, human capital movement and management, and research methods. We identified several differences in the approach used within SHC and strategic HRM, and also identified strengths and weaknesses in both research areas. Integrating SHC and strategic HRM would help to increase our knowledge about human capital. For example, several strengths of SHC research can help to improve strategic HRM research. Whereas SHC focuses on human capital itself, strategic HRM focuses on the HR system, without specifically studying the nature of human capital. Looking at human capital movement and management, SHC views mobility as something that can be positive or negative, whereas strategic HRM has a more limited view on turnover as a costly and problematic phenomenon. Also, the process through which collective human capital emerges is typically not included in strategic HRM research, and the organizational context, which is important in SHC research, has received less consideration in studies of strategic HRM. Regarding research methods, the econometric techniques typically used in SHC can add value to strategic HRM by helping to examine causality and reducing potential sources of biases in analyses. Insights from strategic HRM can also help to overcome the limitations of SHC research. For example, the micro level view on human capital and multilevel approaches can help to strengthen SHC models. Taking the individual context into account by including psychological concepts such as motivation in relation to SHC can be helpful, as well as including psychological measurement rather than proxy-oriented measures. As a whole, this paper has shown that there are several areas in which SHC and strategic HRM can inform and complement each other.

Integration of SHC and strategic HRM helps to overcome the weaknesses in both areas and create a more robust approach to the study of human capital. We identified specific as well as more general areas for integration, which we hope will generate interest and inspiration for collaborations between SHC
and strategic HRM researchers to address these issues and result in improved research on human capital in organizations.

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