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**THEORETICAL PERSPECTIVES ON THE INTEGRATION OF HUMAN RESOURCE MANAGEMENT AND STRATEGIC HUMAN RESOURCE MANAGEMENT**

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**ABSTRACT:** *This is a descriptive study based on secondary data collected from various research papers and articles. This study theoretically evaluated the links between human resource management (HRM) practices and strategic human resource management (SHRM) and how such integration can enhance overall organizational performance and result in organizational attainment of sustainable competitive advantage. It is a fact that people, not products, markets, cash, buildings, or equipment, are the critical differentiators in the success of an organization. All the assets of an organization, other than organizational workforce are inert; they are passive resources that require human application to generate value. People and how they are managed are becoming more important because many other sources of enhanced profitability and competitive advantage are less powerful than they used to. The key to improved performance and achieving and sustaining a profitable organization is through the productivity of an organization's workforce, therefore drawing on the Human Resource Management (HRM) and Strategic Human Resource Management (SHRM) literature, I built on the Resource-Based-View of the firm to theoretically articulate how organizations can be more productive and achieve sustainable competitive advantage through the effective management of people. Specifically, I attempted to further the theoretical development of Human Resource Management (HRM) and Strategic Human Resource Management (SHRM) by defining, summarizing and synthesizing the literature on the measurement and integration of HRM and SHRM. I also identified gaps in the literature on the relationship and integration of HRM and SHRM and developed research questions which can be tested empirically in future research and proposed several research methods which can be employed to answer the identified research questions.*

**KEYWORDS:** *Human resource management, strategic human resource management, competitive advantage, sustainable competitive advantage, resource-based-view, contingency approach*

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## **INTRODUCTION**

In almost every country on the planet today, the economic environment is changing rapidly, and this change is characterized by such phenomenon as globalization, changing consumer and investor demands and increasing product-market competition. To survive in this global competitive era, organizations must focus hard on their competitive strengths so as to develop appropriate long-term strategies. The answer as how to counter the present global competitive environment forces falls in the domain of human resources management (HRM) and strategic human resource management (SHRM).

Understanding sources of competitive advantage and sustained competitive advantage for firms has become a major area of research in the field of strategic management (Porter, 1985; Rumelt, 1984). A critical function of human resource (HR) managers in a strategic planning role is to build the organization's human resources as a source of sustained competitive advantage (Barney & Wright, 1997). This implies the incorporation of HR practices that contribute to organizational performance into the strategic decision-making process (Huselid, 1995). Undoubtedly, an organization must remain relevant to its external stakeholders' demands, yet there is a need to correct this bias by paying more attention to analyzing firm's internal strengths and weaknesses (Barney, 1995). The people who make up an organization (human resources) are considered to be the most important resources of today's firms. An organization's workers and how they are managed are becoming more important because many other basis for competitive advantage are less important than they used to be. Traditional sources of competitive advantage such as, process technology, protected markets, economies of scale, etc. are still important, but an organization's human resources (HR) and how they are managed are most vital for overall improved organizational performance and for sustained competitive advantage.

Globalization of businesses and the associated intensification of competitive pressures have led to an increasingly strategic role for HR professionals directed toward aligning human resource (HR) practices with business strategy (Raub, Alvarez, Khanna, 2006). Within this research context, the role of HR management as a strategic partner with influence in organizational and HR decision making has grown in importance (Barney & Wright, 1997). Strategic human resource management (SHRM) focuses on the contribution that human resource (HR) practices can make to organizational performance and competitive advantage (Collins & Clark, 2003). Given the importance of consistency between what a role it purports to achieve and its actual impact, a strategic role for HR professionals should focus on the achievement of organizational goals by aligning HR practices with business objectives (Conner & Ulrich, 1996). This alignment necessitates the design and implementation of HR policies and practices that enhance productivity and develop human resource-related organizational capabilities (Ulrich, 1997). A strategic role of HR management is argued to enhance the effective utilization of HR practices, which in turn, increases financial performance through increased human resource productivity. Dessler, Griffiths and Lloyd-Walker (2007) argue that the HR strategic partner role incorporates HR as a full participant in both the development and operationalization of organizational strategies. This role requires HR managers to support strategic HRM initiatives by aligning HR goals, strategies, and practices with corporate objectives and the implementation of business strategy (Anderson, Cooper, & Zhu, 2007). It also requires the participation of HR managers in the strategic business planning process (Sheehan, 2005), which means that HR managers have an active role in both strategy formulation as well as strategy implementation (DeCieri et al. 2008). Therefore, to be able to successfully compete in the present competitive environment, organizations must continuously enhance their performance by aligning HRA functions with business strategy, reduce cost, innovate products, services, and processes and improve quality, productivity and speed to market. Establishing a positive climate is becoming increasingly important for improved organizational performance and growth. A positive employee relations climate invariably creates a social atmosphere, which encourages high employee involvement in decision making and an employee-

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centered culture. In response, employees feel comfortable and contribute positively to organizational performance, which in turn lead to sustainable competitive advantage.

Until recently there had been very little in the way of strong theoretical foundation for understanding HRM practices, making it difficult to distinguish HRM from SHRM. Accordingly, the purpose of this paper is to theoretically, define, summarize, integrate and synthesize the literature on the relationship between and measurement of HRM and SHRM. Drawing on the resource-based-view concept and on an extensive body of past research and literature on strategic human resource management (SHRM), I examine the links between various aspects of HRA practices and organizational strategy and synthesize the literature in this regard. I also present a variety of theoretical perspectives that may provide the needed foundation for understanding HRM and SHRM, thus enabling researchers to take a strategic approach towards human resource management. To accomplish these goals, I outline the importance and components of theory construction to the HRM/SHRM research process. Finally, I articulate theoretically how HRM can be linked to SHRM, identify gaps and avenues in the literature for future research on the HRM /SHRM phenomena, along with suggested research methods which may be employed to answer the proposed research questions.

I expect this study to contribute to the literature by adding new knowledge to the literature on the HRM/SHRM phenomenon and highlighting the recognition of the need for alignment of human resources management practices with strategic human resources management strategies by organizations to enhance overall performance and achieve sustainable competitive advantage. This paper is expected to explain the relationships between certain specific high-performance human resources management practices and strategies of knowledge management. Finally, this paper should serve to highlight that human resource management practices are most effective when analyzed as systems and bundles of practices that have synergistic effects beyond individual practices.

The rest of this paper is structured as follows: First, I outline the importance of theoretical perspectives in the HRM and SHRM domain, followed by a brief definition of key concepts and constructs referred to in this paper. I then review and discuss historical strategies of HRM and outline in detail how HRM and SHRM are defined and measured by various authors. I then outline why the resource-based view concept is regarded as the theoretical underpinning of SHRM. I then postulate how HRM and SHRM can be integrated, including a depiction of Schuler's (1992) 5-P Model, and a discussion of bundles of HRM practices and how organizations can link them to business strategies to enhance performance and achieve sustainable competitive advantage. Thereafter, I discuss findings of the paper, outlining its contributions, and ending with my conclusion.

### **The Importance of Theory in HRM and SHRM**

Theory is the attempt to model some aspect of the empirical world (Dubin, 1976). Although the primary goals of theorist-researchers and practitioners may differ, a strong theoretical model has great value for both (Dubin, 1976). Accordingly, accurate theories fulfil the objectives of prediction (knowledge of the outcome) and understanding (knowledge of the process) regarding

the relationships among the variables (Wright & McMahan, 1992). Thus, good theory enables one to both predict what will happen given a set of values for certain variables, and to understand why this predicted value should result (Wright & McMahan, 1992). The main concern for practitioners is with the accuracy of predictions a theoretical model provides in order to guide their decisions making. This means, an accurate theoretical model facilitates better decision making in conditions of uncertainty. In contrast, theorist-researchers have greater concern for understanding the why behind the predictions. Thus, for theorist-researchers, a well-developed theoretical model facilitates testing of the model and, based on the tests results, revisions are made of the model to enhance its accuracy.

Because of the applied nature of HRM and SHRM, it is critically important that the fields develop or use theoretical models that allow for both predicting and understanding the effects of various HR practices on organizational functioning and performance. However, until recently, one of the most glaring inadequacies of SHRM was the lack of a strong theoretical basis for viewing the HRM function within the larger organization (Mahoney & Deckop, 2015). In fact, in his discussion of the criteria for evaluating theory, Bacharach (1989) notes SHRM research as one glaring example of the lack of theory. He specifically noted that, SHRM is one area which is characterized by descriptive typologies, rather than good theory that can help one understand the why, how, and when of relationships between business strategy and HRM practices.

### **Definitions of Key Concepts**

One of the first steps in theory development is to choose the elements whose relationships with each other are the focus of the theory's attention (Dubin, 1976). This entails defining the various concepts of interest to the theory and is one of the most important, yet overlooked tasks in the research process (Schwab, 1980). Indeed Schwab (1980) added that much confusion in organizational research has been created because the focal construct has not been properly defined. Therefore, it is important for the purpose of this paper to first briefly define and distinguish between five concepts and constructs: firm resources, competitive advantage, sustained competitive advantage, human resource management (HRM) and strategic human resource management (SHRM).

***Firm Resources:*** Organizational resources are anything that could be thought of as strength or weakness of a given firm, which include tangible and intangible assets'(Wemerfelt, 1984) or skills, organizational routines and processes (Barney, 1991). Firm resources include all assets, capabilities, organizational processes, firm attributes, information knowledge etc., controlled by a firm that can enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Daft, 1983). In the language of traditional strategic analysis, firm resources are strengths that firms can use to conceive of and implement their strategies (Porter, 1981). Firm resources are anything that could be thought of as strength or weakness of a given firm, which include tangible and intangible assets' (Wemerfelt, 1984) or skills, organizational routines and processes (Barney, 1991). An example of firm resources are people who make up an organization - human resources – and their knowledge, skills and capabilities are considered to be one of the most important resources of today's organizations. An organization's resources encompasses its physical capital, human capital and organizational capital.

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***Competitive Advantage:*** The concept of competitive advantage was formulated by Michael Porter (Besma, 2014). Competitive advantage, Porter asserts, arises out of a firm creating value for its customers. Porter emphasized the importance of differentiation, which consists of offering a product or service 'that is perceived industry-wide as being unique', and focus - seeing a particular buyer group or product market more effectively or efficiently than competitors who compete more broadly (Besma, 2014). An organization is regarded as having competitive advantage when it is implementing a value creating strategy that is not simultaneously being implemented by any current or potential competitors.

***Sustained Competitive Advantage:*** An organization is regarded as having attained sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when other organizations are unable to duplicate the benefits of this strategy for a continuous period of time. These definitions of sustained competitive advantage do not focus exclusively on a firm's competitive position vis-a-vis organizations that are already operating in an industry. Rather following Baumol, Panzar and Willig (1982), a firm's competition is said to include not only all of its current competitors but also all potential competitors poised to enter an industry at some future date. Thus, a firm that enjoys a competitive advantage or sustained competitive is implementing a strategy not simultaneously being implemented by any of its current or potential competitors (Barney et al. 1989). Following Lippman and Rumelt (1982) and Rumelt (1984), a competitive advantage is sustained only if it continues to exist after efforts to duplicate that advantage have ceased. In this sense, this definition of sustained competitive advantage is an equilibrium definition (Hirshleifer, 1982).

***Human Resource Management (HRM):*** The field of Human Resource Management (HRM) consists of various practices used by human resource personnel to manage employees in organizations, and these practices have been grouped into subdisciplines such as, selection, training, appraisals and rewards (Fombrun, Tichy & Devanna, 1984), generally reflecting the identifiable functions of the HR department in organizations.

***Strategic Human Resource Management (SHRM):*** SHRM is 'the pattern of planned human resource (HR) deployments and activities intended to enable an organization to achieve its goals' (Wright and McMahan, 1992, page 298). This definition has focused on how organizations develop and align HRM practices in a way that supports an organization's business strategy. Strategic human resource management is based upon the recognition that organizations can be more effective if their human resources are managed with human resource policies and practices that deliver the right number of people with the appropriate behaviors, the necessary skills, competencies and the necessary level of motivation to the organization. In other words, strategic human resource management is the integration between the overall strategic aims of an organization and the human resource strategy and implementation. In principle, the processes and people within the company are managed in a way that foster the objectives of the business strategy and create an integrated approach to managing the various human resource functions, such as selection, empowerment, training and development and compensation, so that they complement

each other, resulting in enhanced productivity, increased profits and sustained competitive advantage.

### **Historical Strategic Theories of HRM**

Generally, leading theorists and researchers mainly focus on three separate approaches on the theoretical explanation of HRM/organizational performance linkage, which are:

- (a) Universalistic or best practices approach
- (b) Fit or contingency approach
- (c) Resource-Based-View Approach

***Universalistic or best practices approach:*** While the ‘best practices’ and ‘contingency’ approach places greater emphasis on how Human Resources (HR) can create sustainable competitive advantage for organizations, the resource-based-view approach to aligning HR practices with organizational strategy provides the conceptual and theoretical rationale for SHRM. Almost all early research on the SHRM/organizational performance linkage was based on the best practice perspective that emphasized stability in SHRM across firms. This approach suggests that some Human Resource Management (HRM) activities are better than others and therefore organizations should identify and adopt these activities (Kochan & Osterman, 1994; Pfeffer, 1998). This means researchers postulated that, when organizations adopt the best-practices approach, the performance of their organizations would be enhanced. These HR practices include internal career opportunities (hiring primarily from within) formal training systems (extensive training opportunities for employees to obtain required skills), result-oriented appraisals (outcome-based performance ratings), employment security (feeling secure about continued employment), participation (involvement of problem solving and decision making), and profit sharing (the concern for overall organizational performance on sustainable basis) (Colbert, 2004). Some criticisms were however levelled against the best-practices by researchers and academics. The best-practices process might restrict organizational creativity and the ability to develop new practices appropriate for organizational culture (Porter, 1996). Attempts to apply the universalistic approach in different countries outside the US and the UK have not been clearly proven according to the results of some studies (Fey, Bjorkman & Pavlovskaya, 2000; Khatri, 2000; Boselie & Dietz, 2003). Another criticism was that, after the best-practices become institutionalized and imitated by other firms, in the long term, it can be difficult for an organization to create value and sustainable competitive advantage.

***Fit or contingency approach:*** These critiques and applicability problems across countries of the best practices approach caused researchers to turn to the concept of fit or contingency approach as a potential explanation for HRM/firm performance (Delery & Doty, 1996). This approach is based on the synergistic impact of particular HRM practices on organizational performance (MacDuffie, 1995). The consistency among HRM practices represents a horizontal fit while the alignment between these practices and firm’s larger strategic objectives represents a vertical fit (Huselid, 1995). Considerable research evidence supports the contingency approach by pointing out that the relationship between internally consistent HR practices and organizational effectiveness (Huselid, 1995; Delery & Doty, 1996; Bowen & Ostroff, 2004). These particular HRM practices, also referred to as high-performance work system, are used in bundles rather than as isolated practices

that have synergistic impact on organizational performance. The contingency approach is based on the premise that, particular HRM practices may enhance firm performance when HRM practices are consistent with each other and with the organization's strategic objectives. With the fit or contingency approach, effectiveness of HR policies is dependent on how well it is vertically and horizontally integrated. For instance, what discrete HR policies would be most appropriate if an organization were to encourage new product innovation.

***Resource-Based-View Approach:*** The most recent entry into the theoretical discussions of strategic human resource management comes from the organizational economics and strategic management literature and has been coined the resource-based view of the firm (Barney, 1991; Connie, 1991; Wernerfelt, 1984). The Resource-Based-View (RBV) approach provides the theoretical underpinning to the notion of SHRM that has gained much attention recently (Barney, 2001; Wright et al. 2001). According to the Resource-Based-View school of thought, in order for an organization's resources (i.e., physical capital, human capital and organizational capital) to provide sustained competitive advantage for a firm, four criteria attributable to the resource must be met: (a) the resource must add positive value to the organization, (b) the resource must be unique or rare among competitors, (c) the resource must be imperfectly imitable, (unable to be imitated) and (d) the resource must not be capable of being substituted with another resource by competing organizations. HRM practices or policies that meet these criteria can provide sustainable competitive advantages and enhance organizational performance (Lado & Wilson, 1994; Wright, McMahan, & McWilliams, 1994). In contrast to the traditional external perspective of developing strategy to match the environment (e.g. Porter. 1980, 1985), the resource-based-view is centered on the internal resources of the firm. The assumption is that the origin of competitive advantage lies in possessing, acquiring and utilizing internal resources in getting the firm ahead of its competitors. In short, while the classical strategic management paradigm has an industry-environment focus, the resource-based view is firm-specific, with emphasis on links among strategy, internal resources of the firm and performance (Wright and McMahan, 1992). Accordingly, the resource-based view of competitive advantage and sustained competitive advantage overcomes the bias in the mainstream strategic management literature and can be differentiated from the traditional strategy paradigm in the sense that the emphasis of the resource-based view is on the correlation between strategy and the internal resources of the organization.

### **Theoretical Models of the Resource-Based-View Framework**

The resource-based view provides the necessary theoretical impetus to research in the strategic human resource management field (SHRM) (Wright and McMahan. 1992; Lado and Wilson. 1994; Pfeffer, 1994). Researchers in the field of strategic human resource management (SHRM) have increasingly relied on the resource-based view of the firm to explain the role of human resource practices in firm performance (Wright, Dunford, & Snell, 2001). Indeed, theoretical research on SHRM has suggested that systems of HR practices may lead to higher firm performance and be sources of sustained competitive advantage because these systems of practices are often unique, causally ambiguous, and difficult to imitate (Lado & Wilson, 1994). The notion of Resource-Based-View (RBV) postulates that when organizational human resources practices and policies are integrated with the right organization strategy and HR resources meet four distinct requirements (rare, valuable, inimitable and non-substitutable), the organization would be better

and well positioned to achieve enhanced organizational performance and generate sustained competitive advantage. The Resource-Based View, therefore asserts that the basis for competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal. Firm competitors can quite easily duplicate competitive advantage obtained through better technology and products, but it is very difficult to duplicate organizational competitive advantage gained through better management of people. For example, if an organization employs highly skilled and qualified workers and trains and develops their skills and technical competencies in a manner that is superior and different from its competitors, the organization has ensured that its HR practices in this regard is unique, valuable, inimitable and non-substitutable. Recognizing that the basis for competitive advantage has changed is essential to develop a different frame of reference for considering issues of human resource management and strategy. Traditional sources of success such as product and process technology, protected markets, economies of scale, etc. can still provide competitive leverage but an organization's human resources are more vital for its sustainability. Since organizational internal resources are made of the talents and skills of individuals working in the organization, the resource-based-view theory provides a framework for viewing human resources as a pool of skills and talents, that can provide a resource to serve as a source of sustained competitive advantage. The resource-based-view approach thus provides the framework for organizations in assessing the pool of human resources that may be either able or unable to carry out a given firm strategy during the formulation stage of strategic management. Therefore, the resource-based-view may demonstrate the fact that, organizational strategies are not always necessarily implementable, but are contingent on having the right mix of human resources (firm personnel) base necessary to implement them.

**Valuable Resources:** Relying on the assumptions of individual ability being normally distributed, Wright et al. (1992) considered the four criteria for sustained competitive advantage and attempted to evaluate the conditions under which human resources meet these criteria. First, in order for organizational resources or human resources to be considered as a source of sustained competitive advantage they must provide value to the organization. To provide sustainable competitive advantages, these sources must be valuable and support competencies that add value to the organization (Wright et al.2001; Collins & Clark, 2003). In other words, HR practices can create value when the individual practices are aligned to develop critical resources or competencies for a firm (Wright et al. 2001). Organizational resources can be considered valuable only if they enable an organization to conceive of or implement strategies that improve organizational efficiency and effectiveness. This condition requires that there is a heterogeneous demand for labor (thus, organizations have jobs that require different types of skills) and a heterogenous supply of labor (thus, individuals differ in their skills and level of skills). Under these circumstances, human resources can add value to a firm and the utility formulas provided by Hunter and Pearlman (1979) and later elaborated with regard to financial decision making by Boudreau (1983) provide examples of ways of estimating this value. Indeed, Boudreau and Berger's (1985) formula explicitly considers the sales value of human resources (people) in dollar values.

**Rare Resources:** Secondly, an organizational resource must be rare in order for it to be considered as a source of sustained competitive advantage. An organization is deemed to enjoy a competitive advantage when it is implementing a value-creating strategy which is at the same time being



implemented by many other competing organizations. This means, valuable organizational resources possessed by large numbers of competitors or potentially competing organizations cannot be deemed as sources of either a competitive advantage or sustained competitive advantage. In general, as long as the total number of organizations possessing a particular valuable resource (or a bundle of valuable resources) is less than the total number of organizations necessary to generate perfect competition dynamics in an industry (Hirshleifer, 1980), that resource has the potential of generating a competitive advantage. Wright et al. (1992) noted that due to the normal distribution of ability, human resources with high ability levels are, by definition, rare. The goal of almost all selections programs is to ensure that a firm is hiring only the most talented and skillful employees. The issues that arise, are validity of the selections systems employed by firms and whether firms are able to attract and retain job applicants deemed to be most talented and skillful. Thus, organizations can theoretically hire employees of the highest skills and talents through a combination of valid selection programs and the promotion of attractive reward systems.

***Imitable Resources:*** The third pre-requisite for a resource to be regarded as being a source of sustained competitive advantage is that, human resources must be inimitable. Valuable and rare organizational resources can only be classified as sources of sustained competitive advantage if other organizations that do not possess these resources and cannot obtain them. It is important to note that HR practices will support the sustainability of competitive advantage because these practices are difficult to be imitated by other firms due to the fact that those policies may be firm-specific and socially complex (Lado & Wilson, 1994; Wright et al. 2001). The resource-based view suggests that human resource systems can contribute to sustained competitive advantage through facilitating the development of competencies that are firm specific. In this discussion, Wright et al. (1992) used the concepts of multiple historical conditions, causal ambiguity, and social complexity to demonstrate the inimitability of competitive advantage stemming from human resources. Causal ambiguity describes a situation where the causal source of an organization's competitive advantage is not easily identifiable. Social complexity recognizes that in many instances (such as, team production) competitive advantage arises from unique social relationships that cannot be easily duplicated. Wright et al. (1992) argued that due to the fact that many competitive advantages that might be based in a firm's human resources are characterized by unique historical conditions, causal ambiguity, and social complexity, it is highly unlikely that well developed human resources could be easily imitated. Unique historical conditions in this context refer to particular events that have shaped an organization's policies, practices, and culture for a long period of time.

***Non-Substitutable Resources:*** Fourth and finally, for a resource to be regarded as a source of sustained competitive advantage, it must not have substitutes. According to Wright et al. (1992), one could easily picture a firm that had the highest ability individuals who constituted a competitive advantage. However, what happens if a rival firm develops a new technology that yields vast productivity increases greater than the productivity differences in firms due to ability? If the technology can be imitated (which it likely is because a rival organization can buy the technology in the marketplace), then once the focal organization purchased the new technology, the human resources would once again exist as a source of competitive advantage. The assumption that valuable and rare firm resources can be regarded as a source of competitive advantage is a

different way of describing first-mover advantages accruing to organizations with resource advantages.

## **THEORETICAL MODELS OF INTEGRATION AND MEASURES OF HRM AND SHRM**

Human resource management (HRM) practices involves the operation of recruitment and selection procedures, management development and training activities linked to the needs of the business. In their meta-review, Delery and Doty (1996) identified seven practices, which are consistently depicted as HRM practices. These practices are theoretically and empirically connected to organizational performance and include practices related to ability, such as training systems; factors related to motivation, including results-oriented appraisal; and factors related to opportunity, such as employee participation programs. Thus, the sum of the technical knowledge within each of these functions such as, selection, training, appraisals and rewards are referred to as the field of Human Resource Management (HRM). SHRM is all those activities affecting the behavior of individuals in their efforts to formulate and implement the strategic needs of the business (Schuler, 1989). Thus, human resource management (HRM) aims to ensure that an organization obtains and retains the skilled, committed and well-motivated workforce it needs. This means taking steps to assess and satisfy future people needs and to enhance and develop the inherent capacities of people - their contributions, potential and employability - by providing learning and continuous development opportunities, while Strategic human resource management is the macro-organizational approach to viewing the role and function of HRM in the larger organization.

As depicted in Table 1 below, the field HRM and SHRM are defined in various but related ways by different authors, but several other authors have adduced other definitions for the two concepts. Also depicted in Table 1, are summaries of several measures of HRM and SHRM by various researchers as outlined in the HR and SHRM literature. In Table 2 below are additional key insights on SHRM. Guest (1989) suggested that Strategic Human Resources Management (SHRM) is concerned with ensuring that human resources management is fully integrated into strategic planning; that HRM policies cohere both across policy areas and across hierarchies and that HRM practices are accepted and used by line managers as part of their everyday work. SHRM is distinguishable from HRM because first, vertically, SHRM entails the linking of human resource management practices with the strategic management practices of the organization (Dyer, Golden & Ramanujam, 1985; Guest, 1989). Horizontally, SHRM emphasizes the coordination or congruence among the various human resource management practices (Baird & Meshoulam, 1988) through a pattern of planned action (Wright & Snell, 1991). One of the most important arguments in SHRM field is that HR practices that are consistent with or support organizational strategy are more effective than those that do not (Miles & Snow, 1984; Schuler & Jackson, 1987; Truss & Gratton, 1994). The field of Human Resource (HR) strategy can be further distinguished from Human Resource (HR) management research in two other important ways. First, Strategic Human Management (SHRM) emphasis on overall organizational performance rather individual employee performance. Secondly, SHRM also focuses on the role of HR management systems as solutions to business problems (including positive and negative complementarities) and not just individual HR management practices in isolation. People are an important asset in organizations and can be

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managed systematically. There is therefore a recognition that, in addition to coordinating human resource policies and practices with each other, they need to be linked with the needs of the organization. Given that these needs are reflected in the strategies of the firm, this transformation of human resource management is known as strategic human resource management.

There is empirical evidence suggesting that Strategic Human Resources Management (SHRM) is positively related to financial and operational performance of organizations (Delaney & Huselid, 1996; Katri, 2000). Strategic human resource management (SHRM) have suggested that organizations can use performance-and commitment-oriented human resource (HR) practices to drive organizational effectiveness (Becker & Gerhart, 1996; Dyer & Reeves, 1995) a claim now supported by a large body of field research (Delery & Doty 1996 Huselid, 1995; MacDuffie, 1995) as well as subsequent confirmatory reviews and meta-analysis of this literature (Combs & Hall, 2006; Wright & Allen 2005). Becker, Huselid, Pinkus and Spratt 1997) suggested that human resource (HR) practices influence the behaviors of employees, which in turn affect operational, financial and share price performance outcomes of organizations. High-involvement HRM strategy begins with management philosophies and core values that emphasize the significance of the organization's people (employees) as valuable resources and as a source of competitive advantage. Works by Gerhart and Wright (1997) and Lado and Wilson (1994) examine different types of links between HR managers and the firms' top executives. More often than not human resource managers through professional training and socialization will advocate for people-centered high-involvement in HRM strategies. It follows then that when top management considers human capital as a valuable source for improved performance and of competitive advantage, it tends to establish congruence to the HRM functions characterized in this stream of work as integrative, fully integrated, or reciprocal, so that HR managers will have a greater voice in top-level organizational strategy formulation.

There is broad agreement that a strategic approach to human resource management (HRM) involves designing and implementing a set of internally consistent policies and practices that ensure a firm's human capital (employees' collective knowledge, skills, and abilities) contribute to the achievement of its business objectives (Baird & Meshoulam, 1988; Jackson & Schular, 1995). Delery and Doty (1996) identified seven such practices that have been consistently considered strategic HRM practices. They defined strategic HRM practices as those that are "theoretically or empirically related to overall organizational performance" (p. 805). These practices include internal career opportunities, formal training systems, results-oriented appraisals, employment security, participation, job descriptions, and profit sharing. Strategic human resource management is based upon the recognition that organizations can be more effective if their human resources are managed with human resource policies and practices that deliver the right number of people with the appropriate behaviors, the needed competencies and the necessary level of motivation to the organization. SHRM is concerned with the role human resource management systems play in firm performance, particularly focusing on the alignment of human resources as a means of gaining competitive advantage. Organizations are becoming aware that successful human resource policies and practices may increase performance in different areas such as productivity, quality and financial performance.

To put it another way, strategic human resource management is the creation of linkage or integration between the overall strategic aims of business and the human resource strategy and implementation. In principle, the processes and people within the company are managed in such a way as to foster the aims of the business strategy and create an integrated approach to managing the various human resource functions, such as selection, training and development, employee empowerment, and reward so that they complement each other. The HR function typically designs programs and systems to support the firm's strategic objectives. The HR function merely reacts to strategic initiatives. The two-way linkage is characterized by a reciprocal and interdependent relationship between strategic planning and HR function. Top management recognizes that business plans affect and are affected by HR activities. The HR function is viewed as credible and important. Companies having integrative linkage between strategic planning and the HR function show a frequent and dynamic interaction, both formal and informal. The senior HR executive is viewed as a true strategic business partner with other senior executives. Lengnick and Hall (1988) proposed a reciprocal linkage between competitive strategy and human resource strategy. If competitive strategy dictates the demand for skills/employees, human resource strategy determines organizational readiness. Unlike most of the literature which explicitly or implicitly assumes unidirectional relationship flowing from strategy to HR practices, I emphasize that human resource strategy both affects and is affected by organizational strategy.

Lloyd & Walker (2007) argue that, ideally, the strategic partner role incorporates Human Resources (HR) as a full participant in both the development and operationalization of organizational strategies. This role requires HR managers to support strategic HRM initiatives by aligning HR goals, strategies, and practices with corporate objectives and the implementation of business strategy (Andersen, Cooper, & Zhu, 2007). It also requires the participation of HR managers in the strategic business planning process (Sheehan, 2005), which means that HR managers have an active role in both strategy formulation as well as strategy implementation (DeCieri et al., 2008). A critical function for HR managers in a strategic planning role is to build the organization's human resources as a source of sustained competitive advantage (Barney & Wright, 1997; Becker & Gerhart, 1996). This implies the incorporation of HR practices that contribute to organizational performance into the strategic decision-making process (Huselid, 1995). Coherent systems of mutually reinforcing HR practices are likely to better support sustainable performance outcomes than are any individual practices (Delery & Shaw, 2001). Strategy is directed at building sustainable competitive advantage that in turn creates above average financial performance. The simplest depiction of the SHRM model is a relationship between an organization's HR architecture and organizational performance. The HR architecture is composed of the systems, practices, competencies, and employee performance behaviors that reflect the development and management of the organization's strategic human capital. I argue that it is the fit between HR architecture and strategic capabilities and business processes that implement strategy that is the basis of HR's contribution to competitive advantage.

**Table 1: Definitions and Measures of HRM and SHRM**

<u>Title</u>	<u>Definition</u>	<u>Measures</u>	<u>Reference</u>
The effect of human resources practices on firm performance in India	Better HR practices such as, employee empowerment, job redesign including team-based production systems, and performance-based pay should be aligned with business strategy which would ultimately enhance productivity and profits.	A questionnaire filled out by 359 HR managers of medium-sized businesses in India in 2001 contained ten HR practices such as, training, promotions and rewards and results showed a positive correlation between these practices and employee retention as well as firm productivity.	Singh, K. (2003)
Impact of strategic human resource management on organizational performance: evidence from Turkey	The pattern of planned human resource (HR) deployments and activities that align HRM practices in a way that supports a firm's strategy intended to enable an organization to achieve its goals.	A 2007 survey conducted with HR managers in Turkey's Top 500 firms assessed the extent to which HR policies are integrated vertically and horizontally with firm strategy.	Gurbuz & Mert (2011)
Managing Human Resource for Competitive Advantage: A Study of Companies in Singapore	Based on the Resource-Based-View school of thought, organizational implementation and linkage of the five 'P's' of human resource, namely: HR practices, philosophy, policies, programs, and processes with organizational strategy should drive sustained competitive advantage.	Using a sample of the largest 200 firms in Singapore, researchers interviewed 422 HRA managers in 1999 and found that organizational strategy affects HR practices; results also show that the strategy-HR interaction accounts for more variation in firm performance than the main effect of HR.	Khatri (2000)
Strategic Human Resource Management and Firm Performance: The Mediating Role of Entrepreneurial Orientation	Based on the Resource-Based View of the firm (RBV), the linkage of aspects of human resource management practices (such as, selection and training and development) with entrepreneurial activities in organizations greatly enhance firm performance (both employee and employee performance).	Focusing on the role of entrepreneur orientation on the relationship between SHRM and firm performance, a questionnaire was distributed and filled out by 309 HRA managers in 2015 in Istanbul Turkey; results showed that entrepreneurial orientation mediated the relationship between SHRM and firm performance.	Zehir et al. (2016)
The Effect of Human Resource Management Practices on Firm Performance in Russia	The personnel/HRM field has shifted from a micro focus on individual HRM practices to a more holistic management approach of internally appropriate combinations (configurational fit) of HRM practices and the effects of appropriate ('strategic fit') between strategy to derive competitive advantage.	A total of 101 multi-national corporations operating in Russia were surveyed in 1999 by developing and testing a model including HR outcomes such as, motivation, retention and training and development as mediating variables between SHRM and firm performance.	Fey, C.F., Bjorkman, I. & Pavlovskaya, A. (2000)
Strategic HRM Practices and Their Impact on Company Performance in Chinese Enterprises	Strategic approach to human resource management involves designing and implementing a set of internally consistent policies and practices that ensure a firm's human capital (employees' collective knowledge and skills) contribute to the achievement of its business objectives	Examined the factorial validity of SHRM practices and their effects on company performance in a sample of 465 Chinese enterprises; questionnaires were filled out general managers and HRM directors on product/service performance of their firms and a range of strategic HRM practices.	Akhtar et al. (2008)

Human Resource Strategy and Firm Performance in Pacific Rim Countries	SHRM is about integration and adaptation to ensure that: (1) human resources (HR) management is fully integrated with the strategy and the strategic needs of the firm; (2) HR policies cohere both across policy areas and across hierarchies, which results in an organization achieving sustainable competitive advantage.	Sampling of 207 HRA managers 404 employees in manufacturing plants in Pacific Rim countries in 2002 showed a positive correlation between HRA policies and organizations strategies.	Bae, et al. (2003)
Employee Empowerment, Employee Attitudes, and Performance: Testing a Causal Model	In addition to coordinating human resource policies and practices with each other, they need to be linked with the needs of the firm and because these needs are reflected in the strategies of the firm, this transformation of HRM is known as SHRM.	A total of 918 Senior Executives in 306 banks based in Shanghai, China provided research data by responding to a survey questionnaire on the alignment of HRM activities with business strategies and the results thereto.	Fernandez, S. & Moldogaziev, T. (2013)
The impact of High-Performance Human Resource Practices on Employees' Attitude and Behaviors	Firm alignment and use of performance and commitment-oriented HR practices such as, selection test, hiring selectively, merit-based promotions, empowerment, high pay, training programs, with business strategy to drive organizational effectiveness and sustainable growth.	Research data collected from surveys of 309 employees at a large multiunit food service organization in California in 2011; these employees' perceptions high-performance HR practices were assessed.	Kehoe, R. R. & Wright, P. M. (2013).
In search of sustained competitive advantage: the impact of organizational culture, competitive strategy and human resource management practices on firm performance.	HRM capabilities serve to attract, motivate, develop and use human capital in a firm, while organizational culture, serves to mobilize, allocate and leverage resources in achieving firm goals through visionary planning and with aligned aims and purposes, these two resources are likely to reinforce each other and enhance organizational specificity.	Randomly selected 711 companies with 100 or more employees in Hong Kong in 1999 and mailed two surveys to each firm – one to a senior executive on firm performance and one to a human resource manager regarding constructs of human resource practices and organizational culture.	Lismen, L.M., Chan, & Shaffer, E. S. (2004)
The mediating effect of strategic human resource practices on knowledge management and firm performance	Knowledge management strategies influence firm performance through certain high work performance practices such as, selective staffing, training, and active participation, highlighting the mediating the role of HRM in this relationship and the need to align HR practices with organizational strategies.	Research data were obtained from a phone survey of Spanish companies employing between 25 and 249 workers in 2011. Information were obtained from 191 out of the 1151 contacted. The CEOs of these firms were contacted because it was believed that they were aware of organizational HRM practices and firm strategy.	Sanchez, A. A. Marin, G. S. & Morales, A. M. (2015).
High Commitment Human Resource Management Practices (HCHRM) and employee service behavior: Trust in management as mediator.	The advancement in the evolution of human resource (HRM) give rise to various approaches such as, high commitment, innovativeness, and high involvement, with the belief that these underlying HRM approaches is to use human potential to enhance organizational performance.	Purposive judgmental sampling used in 2017 to collect data from 365 line managers in the banking Industry in Bangladesh found a positive relationship between HCHRM and both in-role and extra-role behavior with trust in management serving as a mediator.	Rubel et al. (2018).
The impact of human resource management practices on perceptions of organizational performance	HRM practices such as, employee participation, empowerment, job redesign, team-based production, employee training and performance-contingent pay are believed to improve performance of organizations.	Data obtained from the National Organization Survey (NOS), which surveyed a sample of 1,427 U.S. work establishments in 1991 about their structure, context, and personnel practices.	Delaney, J.T. & Huselid, M. A. (1996).

**Table 2: Findings from the Strategic Human Resource Management (SHRM) Literature**

<b>Title</b>	<b>Key Insights</b>	<b>Reference</b>
Strategic Human Resource Management and its Impact on Organizational Performance	Strategic human resource management is “the creation of linkage or integration between the overall strategic aims of business and the human resource strategy and implementation.	Besma (2014)
Human Resource Strategies and Firm Performance: What Do We Know and Where Do We Need To Go?	SHRM's spreading popularity owes much to the explicit promise of greater organizational effectiveness achievable, according to the dominant models, through the development of internally consistent bundles of human resource practices.	Dyer, L., Reeves, T. (1995)
Technical and Strategic Human Resources Management Effectiveness as Determinants of Firm Performance	Strategic approach to human resource management (HRM) involves designing and implementing a set of internally consistent policies and practices that ensure a firm's human capital (employees' collective knowledge, skills, and abilities) contribute to the achievement of its business objectives.	Huselid, M.A. & Schuler, R.S. (1997)
The impact of human resources practices on turnover, productivity and corporate financial performance	The presumption is that effective systems of bundles of HRM practices which simultaneously exploit the potential complementarities or synergy among such practices and invariably help to implement a firm's competitive strategy and are the sources of sustained competitive advantage.	Huselid, M.. (1995)
The Employee Empowerment as a Key Factor Defining Organizational Performance in an Emerging Market	Employee empowerment is a SHRM practice of sharing information, rewards and power with employees so that they can take initiative and make decisions to solve problems and improve service and performance.	Mishra, S. (2018)
Strategic Human Resource Management: Where Should We Go From Here?	SHRM focuses on organizational performance rather than individual performance and emphasizes the role of HR management systems as solutions to business problems (including positive and negative complementarities) rather than individual HR management practices in isolation.	Becker, B.E., & Huselid, M.A. (2006)
The mediating role of the employee relations climate in the relationship between strategic HRM and organizational performance in Chinese banks.	The core intention of SHRM is to establish fit and flexibility between HR practices and organizational strategies and achieve organizational goals and objectives such as, enhanced profitability, enhanced return on assets and enhanced return on equity through employees.	Ali et al. 2013
The Effect of Strategic Human Resource Management on Organizational Performance: The Mediating Role of High-Performance Human Resource Practices.	SHRM focuses on the contribution that HR practices can make to organizational performance and competitive advantage and involves aligning HR practices with business strategy.	Mitchell, R., Obeidat, S., Bray, M. (2013).
The mediating role of the employee relations climate in the relationship between strategic HRM and organizational performance in Chinese banks.	The core intention of SHRM is to create congruence (fit and flexibility) between business strategy and HR practices, such as selective hiring, performance-based pay, employee empowerment and training and development which will lead to the achievement of organizational goals and objectives such as, enhanced profitability, enhanced return on assets and enhanced return on equity through employees.	Ali, M., Lei, S. & Wei, X. Y. (2017).
The effect of human resource management practices on firm performance: Empirical evidence from high-tech firms in Taiwan.	With the emergence of strategic human resource management, human functions and processes within organizations are matched with business strategies, resulting in increased employee productivity, decreasing turnover rates, and increasing sales and organizational profits.	Pao-Long, C., & Wei-Ling, C. (2002).

### **The 5-P Model Linking HRM with SHRM**

HR practices can only be a source of sustained competitive advantage when they support resources or competencies that provide value to a firm (Wright et al., 2001). Thus, Wright, Snell, and their colleagues (e.g., Snell, Youndt, & Wright, 1996; Wright et al., 2001) have argued that SHRM research should identify resources that are critical for advantage in a given competitive context and the HR practices to build and support these resources. Schuler (1992) proposed the 5-P model, linking strategic business needs with strategic human resource management activities. The five P's stand for human resource philosophy, human resource policies, human resource programs, human resource practices and human resource processes. Schuler (1992) noted that strategic human resource management consists of all activities affecting the behavior of individuals in their efforts to formulate and implement the strategic needs of the business. Further, successful efforts at strategic HR management begin with the identification of strategic business needs. If these needs are important to the success of the business, and if SHRM can be instrumental in meeting these needs, then these needs should be systematically analyzed for their impact on human resources management activities including HR philosophy, policies, programs, practices and processes. Schuler's (1992) 5-P model is depicted in Figure 1 below: An important benefit of the 5-P Model is that it outlines the interrelatedness of activities that are often separated in the literature; therefore, by using the 5-P Model we are likely to gain a greater understanding of this complex interaction (Schuler (1992)). A second benefit of the 5-P Model is that, it highlights how important the strategy-activity link can be. An organization's strategic business needs often reflects management's plan for profitability and growth and an organization's internal characteristics, such as, its culture and nature of business, along with its external characteristics, such as, the state of the nation's economy, may play critical roles in determining an organization's strategic business needs.

However, the biggest factor affecting SHRM is not a particular characteristic, but it is the firm's experience with this mode of planning. In recent years the linkages between HRM and SHRM is becoming popular and desirable and are usually driven by an organization's efforts to formulate and implement a particular strategy. To trigger specific actions, the business needs are generally translated into more actionable statements, which might be called strategic business objectives (Schuler, 1992). According to Schuler (1992), human resource philosophy is a statement of how an organization regards its human resources, and definition of the role the resources play in the overall success of the organization, as well as how they are treated and managed. This statement is often very general in nature, allowing for interpretation at more specific levels of action within the firm (Schuler, 1992). An organization's human resource philosophy can often be found in its *statement of business values*. Rather than use the term Human Resources philosophy or Human Resources values to describe how an organization's human resources are regarded, treated and managed, many organizations use the term *culture*. Flowing from the strategic business needs, HR policies may include the need to employ more skilled workers, the need to enhance workers' productivity or the need to trim down organizational health costs. Shaped by HR policies, HR programs often represent coordinated HR efforts specifically intended to initiate, disseminate, and sustain strategic organizational change efforts necessitated by the strategic business needs. HR practices are the roles individuals assume in organizations which fall into three categories namely, leadership, managerial and operational, while HR processes deals with how all other HR activities are identified, formulated and implemented.



**FIGURE 1: SCHULER'S (1992) 5-P MODEL OF HRM AND SHRM LINKAGE**



**STRATEGIC HUMAN RESOURCES MANAGEMENT ACTIVITIES**

<p><b>HUMAN RESOURCES PHILOSOPHY:</b> Expressed in statements defining business Values and culture</p>	<p><b>Expressed</b> how to treat and value people</p>
<p><b>HUMAN RESOURCES POLICIES:</b> Expressed as shared values (guidelines)</p>	<p><b>Establishes</b> guidelines for action on people-related business issues and HR programs</p>
<p><b>HUMAN RESOURCES PROGRAMS:</b> Articulated as Human Resources strategies</p>	<p>Coordinates efforts to facilitate change to address major people-related business issues</p>
<p><b>HUMAN RESOURCES PRACTICES:</b> For leadership, managerial, and operational roles</p>	<p><b>Motivates</b> needed role behaviors</p>
<p><b>HUMAN RESOURCES PROCESSES:</b> For the formulation and implementation of other activities</p>	<p><b>Defines</b> how these activities are carried out</p>

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### **How HRM Alignment with SHRM Impact on Organizational Performance**

There is broad agreement that a strategic approach to human resource management (HRM) involves designing and implementing a set of internally consistent policies and practices that ensure a firm's human capital (employees' collective knowledge, skills, and abilities) contribute to the achievement of its business objectives (Baird & Meshoulam, 1988; Jackson & Schular, 1995). With regards to the strategic Human Resource Management perspective, it is assumed that organizational performance is influenced by the set of human resource management practices that organizations have established. Although the specific HR practices included in high-performance HR systems have varied across studies, a commonality across practices in any high-performance approach is a focus on promoting workforce ability, motivation and opportunity (Berg & Kalleberg, 2000; Combs et al. 2006) to perform behaviors consistent with organizational goals. Over the years, researchers have amassed a fair amount of empirical evidence that certain HRM practices can directly affect firm performance. For example, Delaney & Huselid (1996) showed the effect of certain HRM practices (e.g. comprehensive selection and training activities) on firm performance. More recently, Ichniowski et al. (1999) derived specific prototypical bundles of HRM practices that they explored as determinants of firm performance. Those HRM practices included recruitment and selection, training and development, incentive pay, recruiting and selection, teamwork, employment security, job flexibility, skills training and communication. Similarly, Huselid (1995) found that investment in HRM activities such as incentive compensation, selective staffing techniques, and employee participation resulted in lower turnover, greater productivity, and increased organizational performance. MacDuffie (1995) has found that bundles of inter-related HRM practices had more influence on performance than individual practices working in isolation. Given these commonalities and my review of HR practices examined in previous research in SHRM, I constructed the following list of bundles of human resource practices reflecting high-performance HR approach, that if organizations properly align these HRM practices simultaneously and in bundles (and not in isolated HRM practices) with SHRM, then the results would likely be greatly enhanced overall organizational performance and the achievement of sustained competitive advantage.

**Selecting high-quality people:** An appropriate job selection process boosts up the profitability of the organization because a good experience which is gathered in the selection process carried by the individual and thus it is a healthy starting point for an amiable work experience (Kanungo, 1982). Indeed, research indicates that selectivity in staffing is positively related to firm performance (Becker & Huselid, 1992; Schmidt et al. 1979). Experience with employers during recruitment and selection processes is considered to be one part of a series of social episodes that affects the development of appropriate expectations hence reduce employee turnover (Herriot, 1989). The series of procedures, like obtaining the right manpower requirement, anticipated competency, desired qualification levels, and skill base, from a variety of organizational departments are essential steps in the selection and recruitment of employees (Bowden, 1952). Employees become committed and loyal to an organization only when they see their expectations are fulfilled and this tendency of the employees helps the organization to retain their employees for a long time (Firth et al., 2007). The success and profitability of any organization are dependent on how employees accomplish their jobs, therefore employees are considered the life-blood of an organization. Therefore, it is crucial for any organization to ensure that appropriate screening and

selection process is in place to choose the right person for any position. Employees can be hired via sophisticated selection procedures designed to screen out all but the very best potential employees. HRA must then match people to the strategic and operational needs of the organization. Since employees form an expectation about their working life during the recruitment and selection process, the recruitment and selection process can have an effect on employee turnover. HRA should provide for the acquisition, and retention of talented employees who can deliver superior performance, productivity, flexibility, innovation, and high levels of personal customer service and who fit the culture and the strategic requirement of an organization. HRA must then match people to the strategic and operational needs of the organization. It is crucial for organizations to manage the recruitment and selection process properly to reduce turnover. HRA must therefore focus on improving the quality of the individuals hired, and on raising the skills and abilities of current employees to ensure that the organization improves financial performance and achieves sustainable competitive advantage.

**Training, development, career planning and talent management:** Organizations can improve the quality of current employees by providing comprehensive training and development activities after selection. Considerable evidence suggests that investments in training produce beneficial organizational outcomes (Knoke & Kalleberg, 1994; Russell, Terborg, & Powers, 1985). A company career planning system that functions well may also encourage employees to take more responsibility for their own development, including the development of skills viewed as significant in the company (Doyle, 1997). Thus, firms that offer employee training and development programs are finding success with retaining workers. Sears has found that in locations where managers work to help their employees grow professionally turnover is 40 to 50 percent less than in stores where that relationship does not exist (Logan, 2000). The average monthly turnover at Unitel, a firm that helps companies with customer relations out of McLean, Virginia, has dropped from 22 percent to 6 percent since they began Unitel University in 1998 (Fenn, 2000). I-Cube believes that their I-Altitude program has made a significant difference in their recruitment and retention efforts (Fenn, 2000). Although many people involved with employee development programs are not sure of a direct correlation between the programs and employee retention (Rosenwald, 2000), some business managers find that a positive learning environment leads to higher retention rates (Dillich, 2000). Thus, firms that offer employee training and development programs are finding success with retaining workers. It can be expected that organizational investments in both technical and non-technical training would likely have a positive impact on the extent to which the organization actually succeeds in developing the skills/knowledge of its workers. Organizations with superior training programs may also experience lower staff turnover than firms that neglect training their employees. In organizations with excellent technical and non-technical training programs, employees are likely to realize that their market value develops more favorably than in other organizations, therefore, employees may decide it is their interest to remain longer in the firm that affords them opportunity to enhance their skills. Organizations may also utilize career management programs to assist their employees in career planning. When the company provides this service, one important aim is to identify sequences of job assignments that help employees gain the skills and knowledge viewed as important in the company. It should be noted that a career planning system not only helps ensure that workers have the requisite skills to advance in the firm, it may also help ensure that employees possess the mix of skills that the organization considers are

important for its future success. In other words, the provision of career planning assistance may have a positive effect on the level and type of skills and knowledge in the organization and may result in overall organizational learning and knowledge-sharing and may result organizational attainment of sustainable competitive advantage.

**Organizational Culture:** Organizational culture, serves to mobilize, allocate and leverage resources in achieving company goals through values, ritual, behaviors, management systems, decision criteria, visionary planning, etc ( Barney, 1985 & Merron, 1995). Effective organizations should have a culture that encourages employee satisfaction, Bhatti & Qureshi, (2007). Kerr and Slocum (1987) argued that the variation in employee retention rates across organizations may be related to organizational culture values. Researchers generally agree that organizational culture is extremely difficult to imitate or duplicate (Fitzgerald, 1988: Mueller, 1996) due to its inherent tacitness, complexity and specificity (Barley, 1983; Lippman & Rummelt, 1982) described organizational culture as valuable, rare and imperfectly imitable; thus, it has high potential for creating sustainable competitive advantage. Organizational culture has been considered as a form of organizational capital (Camerer & Vepsalainen, 1988). For better or worse a corporate culture has a major impact on a company's ability to carry out objectives and plans, especially when a company is shifting its strategic direction (Schwartz & Davis, 1981). Kerr and Slocum (1987) suggested that an organization's cultural values influence its human resource strategies, including selection and placement policies, promotion and development procedures, and reward systems. Generally, successfully human resources practices can be tacit and cannot readily be imitated by competitors. While it may be easy to copy one thing, it is more complicated to copy numerous things. Often success that comes from managing people effectively is not as clear or transparent as to its source. Culture, how people are managed, and the effects of this on employee behavior and skills are sometimes seen as the soft side of business, occasionally dismissed. It is therefore often complex to comprehend the dynamics of a particular firm and how it operates because the way people are managed often fits together in a system. An organizational culture of involving workers in business by encouraging their participation in decisions, processes and routines provide them with an increased sense of ownership and responsibility, which can motivate them to be more productive as well as increase worker retention rates. Some firms have cultures that fosters loyalty and long-term commitment to the company, irrespective of their job performance, while other companies have cultures that stresses personal initiative and individual results for specific task accomplishments; these values foster an entrepreneurial norm which can motivate employees to perform at their best, thereby boosting overall organizational productivity.

**Performance Appraisals:** Research has shown that performance appraisal is significantly and positively related to employee productivity (Chang and Chen, 2002). Specifically, when an organization utilizes incentive compensation in evaluating direct labor whose contribution can be readily measured with objectively quantifiable outcomes, such as, the number of missing operations, such can enhance organizational productivity. For any organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways: (a) through performance appraisal, the employers can understand and accept skills of subordinates; (b) the subordinates can also understand and create trust and confidence in superiors, which helps in maintaining cordial

and congenial labor management relationship, and leads to the development of the spirit of work and boosts the morale of employees. Performance appraisal also serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if set targets are achieved. This may very well motivate a person to do a better job and help him to improve his performance in the future.

**Internal Promotions:** The availability of career possibilities within the firm tends to promote a higher degree of organizational commitment among employees (Guest, 1997) who perceive career possibilities with the firm. An emphasis on internal promotion is likely to provide a sense of fairness and justice among the employees who note that organizational tenure is valued in the company (Pfeffer, 1995). Company internal promotions based on merit rather than seniority may enhance employee motivation and employee retention (Guest, 1997). Merit-based promotions can be viewed as ingredients in organizational incentive systems that serve to encourage individual performance and retention (Huselid, 1995) Therefore, promotion from within an organization is likely to be associated with low employee turnover and increased employee commitment, which in turn can result in increased employee production and enhanced organizational production and performance and the attainment of sustained competitive advantage.

**Decentralization and Employee Empowerment:** Employee empowerment is a well-known philosophy as well as a strategy where employees are given a certain degree of autonomy to take initiative and make decisions to solve problems related to their jobs. The main aim of employee empowerment in an organization is to create a work environment where people are energized, motivated, productive and happy. A growing body of evidence suggests that employee empowerment can be used to improve job satisfaction, organizational commitment, innovativeness, and performance (Johnson, et. al 2001). Several studies have identified extensive use of teamwork and decentralization of decision making as important high-performance HRM practices (Arthur, 1994; MacDuffie, 1995; Pfeffer, 1995). Generally, organizations believe that employee empowerment will help them in achieving the desired level of productivity in lesser amount of time (The Saylor Foundation, 2014). Kanter (1977) opines that empowerment can happen through decentralization and increased employee participation. Similarly, according to London (1993), giving employees authority to do their job is central to employee empowerment. Contrary to the above approaches of empowerment where the powerful transfers some amount of power to the powerless (Menon 2001), some other works emphasize on psychologically empowering employees. For example, according to Conger and Kanungo (1988), creating favorable situations in the organization for developing self-efficacy in employees, would lead to employee empowerment. Similarly, for Thomas and Velthouse (1990) four cognitive variables such as meaning in work, competence, self-determination and impact will energize employees and in turn will make employees empowered. In employee empowerment, the single-handed decision making by the manager moves to the worker level and makes employees accountable for the results of their work. Consequently, employees become more responsible and help in delivering better quality and efficient work. It is therefore, a fact that management practice of sharing information, rewards and power with employees so that they can take initiative and make decisions do result in faster problem-solving and improve service and performance. In almost every country worldwide, organizational managers generally accept the notion that, their employees are their biggest and

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most valuable assets to their organizations, so creating conditions to make employees motivated such as decentralization and employee empowerment are central to increased organizational productivity and success.

**Job Security:** In their study on employees in the US banking sector, Delery and Doty (1996) found some support for a positive relationship between employment security and firm performance. The authors attribute the relationship to a higher level of employee commitment and motivation in banks with secure jobs. As Ichniowski (2008) noted, workers will only expend extra effort, if they expect a lower probability of future layoffs. It is unlikely that rational employees will identify efficiency-enhancing changes in work structures if such changes would eliminate their jobs, therefore the provision of job security should encourage information sharing (Levine,1995). Huselid (1995) found that investment in HRM activities such as, provision of job security resulted in lower turnover, greater productivity, and increased organizational performance. One way an organization can utilize job security as a motivator in a company's favor is to offer retention bonuses to valued employees as a thank you for services rendered. The bonuses will reassure workers that they are appreciated and have a future with the organization. Even though bonuses may cut into the budget a bit, the cost of rewarding valuable employees is usually far less expensive than hiring new employees and training them, and employees who feel appreciated are far more likely to remain loyal to the organization than new employees. Organizations that provide their employees with job security signal a longstanding commitment to their workforce. However, an organization that signals through words and deed that its employees are dispensable is not likely to generate much loyalty, commitment, or willingness to expend extra effort for the organization's benefit. Additionally, employment security may help align the interests of employees and owners, and therefore reduce agency theory. When job security exists in an organization, employees are encouraged to work harder, and employees, like shareholders, are concerned about and committed to the long-term success of the organization.

**Organizational Justice (Complaint resolution systems):** Both the process of handling a complaint and the outcome of the process may influence employee perceptions of how the firm deals with a situation (Morrison and Robinson, 1997). Researchers have examined organizational justice as two major dimensions - distributive justice and procedural justice -. Distributive justice refers to the perceived fairness or equity of the manner in which rewards are distributed in organizations, while procedural justice refers to the perceived fairness or equity in of the procedures used in making decisions regarding the distribution of rewards (Folger & Greenberg, 1985). Though some researchers (Gilliland, 1993) emphasize the importance of distributive justice in their work, most researchers have recently concentrated on procedural justice. According to Arvey and Sackett (1983, page 186), “applicants who were successful in obtaining a job through a system they believe is unfair may be troubled by feelings of inequity; a link to higher rates of eventual turnover might be predicted”. The existence of a well-functioning complaint resolution system may help alleviate situations of perceived injustice or conflicts in an organization. To the extent that a complaint is properly handled, the employee is more likely to maintain a high level of commitment to the organization. Thus, the introduction of a system for handling complaints may, in turn, lead to a lower voluntary turnover. The perception of the presence of organizational justice in an organization, inevitably results in employees’ trust in management which in turn has

several positive effects on the organization, and may lead to the organization achieving sustainable competitive advantage.

**Policies on Compensation and Benefits:** Most studies have included performance-based compensation as one of the high-performance HRM practices (Delery and Doty, 1996; Huselid, 1995; MacDuffe, 1995) and even identified performance-based compensation as the single strongest predictor of firm performance. A substantial body of evidence has focused on the impact of incentive compensation and performance management systems on firm performance (Gerhart & Milkovich, 1992). Salary was found to be the prime factor for the motivation and job satisfaction of salaried employees of the automobile industry from the results of the survey by Kathawala, Moore and Elmuti (1990). To the extent that a company's employees perceive that other firms provide their staff with higher salaries, they are more likely to become dissatisfied and possibly leave the company (Roberts, 1997). Based on expectancy theory (Vroom, 1997), it can be expected that, if a company provides rewards desired by the employee in question, this employee is more likely to perform in a way that will bring him or her the reward. Compensation can be described as the amount of reward that a worker expects from the job. Accordingly, organizational policies on compensation and benefits is the most important variable for employee job satisfaction. The form and structure of an organization's HRM pay system can affect employee motivation levels in several ways. Paying comparably high salaries may have a positive motivational effect on employees. Workers tend to compare their remuneration with other people in the same or a similar situation. Workers should be satisfied with competitive salary packages and they should be satisfied with it when comparing their pay packets with those of the outsiders who are working in competitive organizations in the same industry. A feeling of satisfaction is felt by employees by attaining fair and equitable rewards, which should drive employee motivation and effectiveness. The effectiveness of skilled employees will be limited, however, if they are not adequately compensated and are not motivated to perform their jobs. A well-structured organizational reward system, that develops motivation, commitment, job engagement, and discretionary behavior by valuing and rewarding people in accordance with their contribution is critical to employee motivation, job satisfaction and retention and the attainment of sustainable competitive advantage.

### **Gaps and/or Opportunities for Future Research**

My study offers avenues for future in the field HRM, SHRM and organizational performance. The first identified gap is how the implications of the conventional SHRM framework might play out in a developing country like South Africa. In Table 3, below are suggested research questions as well as proposed research methodologies that can be employed to answer the questions. As shown in Table 3 below, the first identified research question is: Organizational and Human Resources Management strategies in South Africa: Impact on organizational performance in a developing country. Empirically, most studies on the relationship between HRM and SHRM and the impact of HR practices on firm-level performance, such as, organizational productivity, profitability and market value, have been conducted in western countries such as, the United States, the U.K. and Canada, with no empirical studies to test this phenomenon in a developing country like South Africa. A significant issue in South Africa as well as elsewhere in Africa, is the extent to which American-style high-involvement work systems might transfer to the African context. With the proliferation of multinational corporations due to globalization, the driving force behind this

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concern is the impact of globalization on the efficacy of low-cost, mass-production oriented business strategies that can drive export-oriented economic development in a developing country like South Africa. Thus, it seems reasonable to build a model based on the established strategic human resource management framework and empirically test it in multinational corporations and their subsidiaries in South Africa. In contrast to most SHRM research which have taken place mostly within the context of industrialized western economies, the first suggested feature for this study should be the focus in one of the leading economies in Africa - South Africa. The impact of non-western cultural influences on the conventional SHRM framework should be considered and should provide empirical evidence on the model to be constructed. The second suggested feature for this study should be in line with international SHRM studies. Studying both multinational corporations and their subsidiaries operating in South Africa, would afford SHRM researchers the opportunity to examine between-firm variations HRM strategies that go beyond cross-cultural variations that have been the focus of many previous studies in western countries.

A second gap (in Table 3 below) which may be of interest for future research would be, investigating the impact of Human of Resource Management Practices on Productivity in the US auto Industry. This narrow focus should eliminate many sources of heterogeneity that confound productivity in more aggregate data and more heterogeneous samples. Researchers should develop a detailed model of this particular production process based on personal visits to each automobile work site and estimate the production model using precise measures of productivity, capital equipment, employment practices, and other line-specific determinants of productivity to be collected from each work site. This research should yield new evidence on the productivity effects of employment practices. Findings from this research provide empirical evidence that, groups or clusters of complementary innovative human resource management (HRM) practices have large effects on productivity, while changes in individual work practices have minimal or no effect on productivity. Thus, the preponderance of the evidence may suggest that in the automobile industry, innovative employment practices may tend to be complements, as is proposed in the recent theoretical work on optimal incentive structures. That would mean, employees' performance is substantially better under incentive pay plans that are coupled with HR supporting innovative work practices such as, job security, flexible work hours, job redesign, employee participation in problem-solving, team-work, training and development programs, extensive screening, communication, and internal promotion. The main limitation of the research would be of course that, it would reflect work practices and performance outcomes in just one industry (the auto industry).

A third proposed study (See Table 3) can investigate the effects of organizational culture on employee retention in the healthcare industry. Organizational culture has emerged as one of the dominant themes in strategic human resource management over the past two decades. Even though researchers have made theoretical and methodological advances in understanding the development of cultural values in organizations, little progress has been made in comparing cultural effects on workers' behavior across organizations. Researchers can investigate the retention rates of 800 nurses and doctors in any three large hospitals in one city in the United States over a five-year period. Cultural values such as, emphasis on interpersonal relationships of team orientation, respect for people, emphasizing work tasks values of detail and stability should be studied. This



proposed research should provide empirical evidence as to whether particular cultural values help or hinder organizations in retaining their most productive workers. Results of this research would stress the importance of taking a macro perspective in studying human resource retention. Ideally an effective human resource management strategy should balance the cost of retaining workers who leave an organization against the cost of retaining employees who choose to stay. Since it is generally believed to be more expensive to replace more productive workers than it is to replace weak or mediocre performers, a cost-effective human resources management strategy should attempt to minimize turnover among top performers. Also, since all employees in an organization will eventually leave, an ideal human resource strategy should induce employees who are top performers to stay longer, while encouraging weak performers to leave the organization at earlier seniority.

Due to today's fierce and dynamic business settings organizations must be innovation-driven to thrive. Accordingly, companies must engage in different types of innovation efforts in order to grow and achieve sustained competitive advantages. Previous research (Adner & Kapoor, 2010) revealed that organizational innovativeness was closely associated with firm performance (Gupta, Smith & Shalley., 2006), firm strategic goal setting (He & Wong, 2004), productivity (Mohrman, Cohen & Mohrman, 1995) and organizational culture (Ostroff, Kinicki & Tamkins, 2003). In addition to organizational level studies where exploration and / or exploitation were examined, recent studies emphasized on team level and individual level innovativeness, such as, exploration and exploitation (O'Reilly & Tushman, 2008). In light of these studies, scholars have almost reached a consensus that organizational innovativeness is synonymous with desirable performance and sustained competitive advantage. Therefore, a fourth suggested research topic is (See Table 3): Impact of Strategic Human Resources Management Practices on organizational innovation in India. The first goal of this study should be to establish the association between exploration and strategic human resources practices at the organizational level. The HR construct consists of training, staffing, performance appraisal, compensation and recruiting which emphasize the core elements related to competent talents of a company. Guided by the Resources-Based-View school of thought, I argue that the careful and effective implementation of these strategic human resources practices will have predictive power on organizational innovation. In line with this line of thinking, I also argue that the knowledge management capacity of firms contribute to organizational innovations in distinct and unique ways (Davenport & Prusak, 2000). Knowledge accumulation, knowledge sharing and knowledge implementation, which are the dimensions of this construct, emphasize the centrality of knowledge generation within firms and point to the necessity of knowledge implementation (Chen & Huang, 2009). Accordingly, the second goal of this study should be to link the knowledge management capacity of firms with innovation outcomes, such as exploration in an emerging economy such as India.

### **Testable Research Questions**

**TABLE 3:** The following are additional testable research questions related to the theoretical heading in this paper, which can be answered to fill gaps in the literature, along with proposed research methodologies.

<b>Research Questions</b>	<b>Proposed Research Methodologies</b>
Organizational and Human Resources Management strategies in South Africa: Impact on organizational performance in a developing country.	Research can be undertaken by developing a model and testing it with data from 400 HR managers in multinational corporations (MNC) their subsidiaries and local firms operating in South Africa. Units of observation in the survey must be randomly sampled multinational corporations and local firms operating in South Africa and each firm must be employing at least 80 workers and the sample must be cross-sectional. Prior to distributing the survey, researchers must first call each organization's head of human of resources to explain the survey and request the organization's participation. Different components of an organization's HRM strategy, such as, the degree which the organization relied on extensive training and development, empowerment, selective hiring, and performance-based pay as applied to non-supervisory production workers can be measured and tested using a 5- Likert-Scale questionnaire.
The Impact of Human Resource Management Practices on Productivity: A Study of the US Auto Industry.	Proposed research can be carried out to investigate the effects of innovative employment practices by obtaining longitudinal data from a sample of 30 homogeneous auto production lines owned by four automobile companies in the United States. Using a set of innovative work practices which include, incentive pay, flexible work schedules, and job security, researchers should obtain longitudinal data on each production line to estimate fixed effects models and investigate and evaluate changes in productivity within production lines a due to changes in the organizations' employment practices.
Effects of Organizational culture on employee retention in the U.S. healthcare industry.	This research can investigate the retention rates of all nurses (at least 800) in any three large hospitals in one city in the United States over a five-year period. Retention data can be collected from the hospitals' personnel files of nurses hired in the three hospitals over a five-year period. Cox's (1972) proportional hazards model can be used for this study. The influence of organizational culture values on voluntary retention rates can be examined through survival analysis which provides actuarial estimates of the survival and hazards rates of new hires at increasing seniority. The survival rate function should show the percentage of new nurses who voluntarily stay in a hospital after reaching a particular month in their employment; and describe how the probability of voluntary resignation changes with increasing seniority.
Impact of Strategic Human Resources Management Practices on organizational innovation in India.	Research data can be gathered across industries operating in India by distributing a survey questionnaire based on a 5-point Likert-scale to about 900 HR managers and purchasing managers working across several industries in India, after first contacting these HR managers and purchasing managers and briefing them about the contents of the survey. The survey should measure seven common Strategic Human Resource Practices associated with innovation namely, Recruitment, Performance Appraisal, Career Management, Reward System, Training, Participation, and Compensation to assess the predictive power of these practices on organizational innovation.

## DISCUSSION

The role of theory in the linkage between HRM and SHRM must continually increase if the field of SHRM is to be advanced. Theory is very important whether a person's orientation about a particular phenomenon is toward research or practice. Bacharach (1989) explained the similarity of interest in good theory that exists between researchers and practitioners. Bacharach (1989) stated that the role of consultants is to assist clients in diminishing the complexity of the world as

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well as explaining and predicting events. Because of the fact that the central aim of any theory is to minimize the complexity of the empirical world by means of explanation and prediction, researchers and practitioners alike stand to benefit from sound theoretical development. The models discussed in this paper therefore present interesting theoretical perspectives for viewing HRM and SHRM by researchers and practitioners.

The purpose of writing this paper is to theoretically highlight and articulate the important relationships and differences between HRM practices and SHRM. I have summarized and synthesized the literature on HRM and SHRM, identifying how the two constructs are defined by various authors and identified several research methods employed by previous authors to measure HRM and SHRM and postulated how the two constructs can be integrated for improved organizational performance and attainment of sustainable competitive advantage in a manner that can provide future guidance in the area. I have outlined some recent theoretical models of HRM and SHRM that are proposed by some researchers to better illustrate the value of theory in HRM and SHRM research.

The contributions of this paper can be summarized in five parts. First, this study contributes to and adds knowledge to the literature that recognizes the need for alignment of innovative human resources management practices with strategic human resources management strategies by organizations to enhance organizational performance. Secondly, I identified some gaps and opportunities for future research on the subject and posed several unexplored testable research questions relating to HRM and SHRM, followed by an outline of proposed research methodologies which can be undertaken in future studies to answer the research questions posed. Thirdly, I identified the resource-based view school of thought as the theoretical underpinning of the SHRM phenomenon. Therefore, an important theoretical contribution of my study is that, while traditional strategic analysis paradigm has had an industry-environmental focus and are centered on external perspectives, I postulate that the resource-based view of the firm overcomes the bias in the mainstream strategic management literature by stressing the importance of specific internal organizational resources that lie internally in the organization that can provide an organization with improved overall performance and sustained competitive advantage. The fourth contribution is that, this paper supports the idea that, managing knowledge employees through strategic human resource practices is essential for organizations to maximize their performances, therefore this paper explains the relationships between certain specific human resources management practices and strategies of knowledge management. This theoretical extrapolation of the relationship between HRA practices and SHRM show that bundles of HRM practices, such as, unique organizational culture, training and development, career planning, flexible work design, and employee participation in decision-making, all result in enhanced employee and organization productivity and performance, leading to organizational attainment of sustainable competitive advantage. The final contribution of this paper is that, it highlights the importance of looking at HRM practices from a macro perspective rather than adopting the traditional micro orientation to HRM. In this regard, I posit that, human resource management practices are most useful and can be more effectively and efficiently aligned with SHRM when analyzed as systems and bundles of practices that have synergistic effects beyond individual practices. This means employees' performance is substantially better under HRA practices such as, incentives program that are

coupled with supporting innovative work practices such as, employee participation in decision-making, employee empowerment, communication, employment security and training and development programs, than it would be under traditional individual HRM work practices.

## CONCLUSION

In this study, I set out to theorize how organizations can align HRM practices with SHRM to improve performance and achieve sustainable competitive advantage; simply put, I postulated theoretically how organizations can enhance performance and achieve sustainable competitive advantage through the effective management of people. Overall findings from this study show that, the Resource-Based-View provides the theoretical underpinning to the notion of SHRM. Thus, the origin of sustained competitive advantage lies (internally within the organization) in possessing, acquiring and utilizing internal resources in getting the firm ahead of its competitors. In theoretically positing how organizations can align HRM and SHRM, I identified several bundles of HRM practices and suggested how they can be harnessed by organizations to improve overall organizational performance and achieve sustainable competitive advantage. Guided by the resource-based-view of the firm, I argued that the careful and effective alignment of Human Resource practices with Strategic Human Resources Management as outlined in this article can result in improved organizational performance and the attainment of sustained competitive advantage.

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