

HR Systems and HPWS: Future Direction for SHRM

Gürhan Uysal

Ondokuz Mayıs University, Samsun, Turkey

Aim of this study is to discuss science-practice gap in strategic human resource management (SHRM). According to HR scholars, there is science-practice gap in the field of SHRM, because firms do not apply HR systems (human resources). Proposal of this study is that HR systems are applied by HR managers in organizations. Thus, HR managers are to understand interrelationship among HRM practices, i.e., HR managers get to know HR bundles. Further, high performance work systems (HPWSs) may be applied by elements in HRM practices. Thus, HR managers are to realize elements in HRM practices. For example, most important elements in compensation system are benefits, merits, incentives, and performance-based pay. Those elements increase employee satisfaction. High involvement work practices (HIWSs) may be applied by firms through board membership of managers. For example, through board membership, HR managers affect HR-related decisions at top level. Assumption is that if firms adopt HR systems, HPWS, and HIWS, SHRM may be in practice. This study puts HR managers into core center of HRM. Because to apply HR systems, HPWS and HIWS depends on HR managers' ability to understand interrelationships, elements and board membership.

Keywords: SHRM, science-practice gap, HR managers, HR systems, HPWS, HIWS

Introduction

Firstly, aim of this study is to close science-practice gap in the field of SHRM (strategic human resource management) by exploring HR (human resource) systems and HPWSs (high performance work systems). Assumption of this study is that apply of HR systems and HPWS depends on HR managers' ability. Thus, this paper replaces HR managers on the center of HRM theory, HR systems, and HPWS. Boon, Hartog, and Lepak (2019) say that, over the past three decades since 1990s, focus is HR systems in SHRM theory. This study contributes literature on how HR systems and HPWS are applied by organizations. Becker and Huselid (2006) say that there is science-practice gap in SHRM because firms do not apply HR systems and HPWS. This study says that it is duty of HRM departments and HR managers to apply HR systems and HPWS. Earlier, author proposed HRM Involvement policy and Strategic HR Director position to close science-practice gap.

Secondly, how SHRM is applied by firms? This study searches answers for this question. Answer might be HR systems or HPWSs (high performance work systems). Because American HR scholars discuss HR systems or HPWSs in SHRM theory and HR systems develop new skills in employees, to achieve this target, HR system or HPWS must focus on developing new skills in employees.

Thirdly, there is science-practice gap in SHRM because firms do not apply HR system or HPWS. Why? How firms employ HR system or HPWS in their organizational structure? This is second question in this study. Or why firms do not apply HR system? To close science-practice gap, firms must have firm performance target

in SHRM, and HR system is mediating variable between HRM and firm performance, i.e., firms must apply HR systems to improve firm performance in SHRM. According to Becker and Huselid (2006), future direction of SHRM is HR system.

HR

There are three stakeholders of HRM: HR manager, line managers, and top managers. HR manager applies HRM practices together with line managers. and support of top managers is critical for applying HRM practices. Core employees in HR are HR managers, because HR manager is responsible for applying HRM practices. Therefore, firms are to prefer senior personnel to become HR manager. Because most important role of HRM is strategic advisor role, senior HR manager plays strategic advisor role for line managers effectively.

In addition, there are three kind of HR manager in corporates: CHRO (chief human resource officer), Strategic HR Director, and HR managers. Role of CHRO is talent management; role of Strategic HR Director is strategic human resource management (i.e., HR systems); and role of HR managers is HRM practices. CHRO has influencer role and HR managers have implementation role. In corporates CHRO has influences on subsidiaries' HRM practices. C. L. Welch and D. E. Welch (2012) investigate role of HR managers in international activities. Role of HR managers is to implement HRM practices in subsidiaries. Partner of HR managers in this role is line managers, because line managers have authority to manage their departments. According to C. L. Welch and D. E. Welch (2012), most important issue in HRM is implementation issue, because there is ambiguity in the role definition of HR-related managers. The most important partner of HR managers in corporates is line managers (Antila & Kakkonen, 2008), because partnerships among HR, line, and top managers provide firms of achieving external and internal fit in SHRM.

Most important practice of HRM is performance evaluations, because HRM has performance focus. There are three kinds of performance evaluations in firms: performance assessment, performance appraisal, and performance evaluations. In performance appraisal, managers, both HR and line, determine performance grades for employees based on cognitive. For example, in forced distribution method, managers appoint performance grades for employees based on cognitive. In performance evaluations, managers appoint performance grades by using methods of performance evaluation such as graphic scale method and critical events method. In performance assessment, managers interact with peers to determine performance grades. For example, managers may adopt 360 degree performance evaluation method to determine performance grades for employees.

In Turkey in HRM theory, moderator variable between HR and firm performance is positive organizational behaviours (OBs). Positive OBs improve individual performance which has impact on firm performance. In USA there exists universalistic perspective and configurational perspective in HRM theory. There is direct relation between HRM and firm performance in universalistic perspective. In configurational perspective HR system is mediating variable between HRM and performance. For example, Arthur (1994) says that control and commitment HRM practices shape employee attitudes and behaviors, and positive OBs set up psychological links between employee personal goals and organizational goals. Commitment HR systems develop employee involvement in managerial decisions. Further, major keyword of HRM in Turkey is positive OBs. The other keyword might be HRM practices. Turkish firms apply HRM practices, and that policy leads to positive OBs in employees

Why do firms apply HRM practices? Firms thoroughly apply HRM practices. Aim of applying HRM practices is to obtain positive organizational attitude and behaviors. In Turkish HRM aim of applying HRM

practices is to obtain positive organizational attitudes and behaviors such as commitment, satisfaction, lower turnover. There are two results of positive attitude and behaviors: positive organizational climate and better individual performance. Because it is believed that positive attitude and behaviors lead to higher individual performance in employees, while in USA, aim of applying HRM practices is to obtain higher individual performance.

There are three kinds of managers in SHRM: CHRO, Strategic HR Director, and HR manager. They have specific roles to apply SHRM in organizations. Role of CHRO is talent management that is related to high involvement work practices (HIWS). Role of Strategic HR Director is to apply HR systems to improve employee individual performance. Role of HR managers in business units is to apply HRM practices to develop positive organizational behaviours in employees. All roles have one target which is individual performance. Firm performance is specific target of SHRM which is discussed in SHRM theory during 2000s. How would be the organizational positions of those managers? HR managers might be tied to CHRO; however, Strategic HR Director is independent from CHRO (chief human resource officer).

Hiltrop, Despres, and Sparrow (1995) say that HRM practices are applied together with line and general managers, and HR professionals play key role in this implementation. According to Antila and Kakkonen (2008), basic role of HR managers in mergers and acquisitions (M&As) is HR managers' involvement in takeover process. Major keyword in HRM after performance is skill development, because skill is related human capital, and human capital has impact on firm performance through job performance.

Finally, there is role ambiguity for HR managers in corporate. There are three HR managers in corporates: CHRO, Strategic HR Director, and HR managers. This study aims to clarify roles. Secondly, line managers are key to apply HRM practices in organizations, because line managers have authority in management of their business units. This authority makes HR manager apply HRM practices across the organization and this authority provides HR managers in involved with business units. Thirdly, cooperations among HR, line, and top managers are key to achieve HR effectiveness. Fourthly, involvements of HR managers with top management in appointment of managers are key to achieve goals of HR. Further, role ambiguity decreases effectiveness of HR. Thus, there appears implementation issue. Therefore, role of HR managers in corporate management is to be clarified. For example, role of HR managers in units or subsidiaries is to implement HRM practices. Role of Strategic HR Director is to implement HR systems to achieve firm performance, and CHRO is involved with top management to impact managers' appointment. Thus, HR managers must be senior, because senior HR managers may play advisory role for line and top managers. To increase value of HRM in organizations HR is to cooperate with line managers. For example, HR managers cooperate with line manager in hiring process, and it cooperates with top management to decide salary of newcomers engineers. Thus, HR managers affect HR-related issues in organizations. Involvement of HR may be achieved by HRM practices. Antila and Kakkonen's study (2008) reveals that HR managers only participate HR-related decisions at top level.

HR manager is to join HR-related decisions at top level. That requires external fit, and this is high involvement work practices (HIWS). For example, determine of compensation is HR-related decision. Salary of workers may be determined by median and standard deviation in graphic scale. Median is middle point in wage scale. Salary of managers might be median, and others' salaries are determined according to standard deviation. Standard deviation might be ± 12 . In this system salary of managers is median, and salary of other employees is arranged by standard deviation such as salary of supervisors, general manager, and professionals. For example, in Turkey salary of minimum wage employees becomes median, and salary of other employees is determined by

standard deviation ± 12 . That model may be appropriate to Equity Theory of James Stacy Adams, and that compensation policy may increase satisfaction of employees. Thus, HR manager may join that model of salary at top level, and this is high involvement work practices. Median model may be applied through job evaluation and may be applied in firm-level basis.

HR System

“Fit” is important in HR systems. Therefore, HR managers are to obtain both external and internal fit. To achieve external fit, HR managers adopt high involvement work practices (HIWS). To obtain internal fit, HR manager must realize synergy, complementary, and bundles inside HRM practices.

Firstly, HR system affects firm performance which depends on HR manager’s ability to apply HR system in organization. Because it is duty of HR manager to implement HR system in organizations, to apply HR system in organizations, HR managers must obtain fit, both external fit and internal fit, because for example external fit is related to strategic partner role and high involvement work practices role. Strategic partner role increases HRM’s impact on firm performance, because strategic partner role is related to high involvement work practices (HIWS). In HIWS HRM department affects appointment of managers at top level. This is important because managers achieve organizational goals such as market share, earnings; and managers manage and direct the organizations. So, HR obtains strategic role by affecting appointment of managers.

Secondly, HR system should be in mind of HR managers to apply, because HR managers apply HR system in organizations, but how? For example, HR manager decides to apply career management system for successful employees. There are four HRM practices in career management system: performance evaluation, compensation, training, and career management. HR manager determines star employees in organizations through performance assessment. Organizations develop career plans for star employees. HR manager applies training for star employees to improve their individual performance. Aim of training is to obtain KSAs (knowledge, skills, and abilities) for star employees, because KSAs are related to job performance and competence of employees. Finally, upper management donates higher wages for employees in career management system to hold those employees in organizations, or not to leave organization. Firms may apply career development for employees to improve their performance.

Further, in implementation of HR systems, HR manager or HR professional applies two or three HRM practices simultaneously (i.e., HR bundles). For example, in performance management systems, HR professional applies performance-based wage. HR professional obtains performance points firstly, and then this point is translated to total wage. Thirdly, HR professionals send lower performers to on-the-job training, and send higher performers to off-the-job training. Thus, three HR practices are employed simultaneously for employees. In addition to HR managers, senior HR professionals join to implementation of HR systems.

Fit is important in HR systems, both internal and external fit, because fit increases effect of HR systems on employee performance. External fit provides fit between HR strategies and top-level strategies. For this HR department must be member of board of directors that provides HRM involvement opportunity for HR departments. Internal fit increases synergy between HRM practices and synergy between HR and line managers. For example, HR systems are a kind of longtime investments to employees that lead to positive OBs such as lower turnover, promotion. Most impact of HR systems on employees might be promotion of employees in career ladders. Boon et al. (2019) say that interrelationship between HRM practices creates synergy, and this synergy develops individual performance of talented employees. It is duty of HR managers to create this synergy, and

HR managers are to observe internal and external fit to create synergy, i.e., external fit is related to HIWS. Tool of HIWS is board membership of HR. Tool of internal fit is synergy, bundle, or complementary within HRM practices. HR managers are to keep this synergy and complementary in mind to apply HR systems.

In order to make HR systems work, internal and external fit are necessary. Internal fit is related to strategic advisor role of HRM. That role requires collaboration with line management. External fit is related to strategic partner role of HRM. This role is related to HRM Involvement policy or high involvement work practices. HR managers achieve internal fit, because it applies HR systems in organizations. External fit might be achieved by collaboration between HR, line, and top managers, because HR systems might be defined in terms of internal relationships among HRM practices and HR managers set up internal relationships among HRM practices. Further, Boon et al. (2019) mention synergy, complementary, and internal fit to set up HR systems in organizations. There are interactions in HR system among interrelated HRM practices, and those interactions develop synergy, and those synergy, complementary, and internal fit develop employees' individual performance. Therefore, HR managers are to identify interrelationship and synergies among HRM practices to set up HR systems in organizations, because HR managers are responsible for set up and apply HR systems, and HR managers apply HR systems on talented employees in collaboration with line managers. For example, M. L. Lengnick-Hall, C. Lengnick-Hall, Andrade, and Drake (2009) describe SHRM with HR strategies. It is link between HR strategies and top strategies, i.e., HR strategies must be adopted by line managers. That link may be achieved through external fit. For example, recruitment strategy for engineers must be adopted by production manager. To achieve goals of HR systems is fit, both external and internal fit.

Individual HRM practices develop positive OBs. HR systems (bundles) develop individual performance. How? How does HR systems impact performance? Answer might be normative commitment. If firms apply HR systems to talented employees, those employees may feel normative commitment (appreciate, those employees may feel appreciate to their organizations), because normative commitment affects motivation and performance of employees.

HPWS

HPWS is related to job performance, because HPWS develops skills in employees. There may be three causes that HPWSs affect firm performance (high performance work systems): positive attitudes; skill development; and HR manager, because HR manager apply HPWS in organization. HPWS enables HRM department to develop new skills in employees. Apply of HPWS may develop positive attitudes in employees. For example, performance-based pay may increase motivation of employees; thus, HPWS affects individual performance. Performance-based pay may be a practice of HPWS.

According to Becker and Huselid (1998), HPWS develops new skills in employees. For example, to determine benefits may increase organizational commitment of employees. That might be example of positive attitude and behaviours. Further, incentive compensation may impact commitment behaviours in managers. Elements of incentive compensation may be wages, bonuses, benefits, and premiums that those incentives may increase positive attitudes in employees. HPWS develops positive attitudes in employees through new skills. In compensation system, major practice in HPWS is benefits. Benefits have impact on individual performance and positive OBs. Incentives are signal of retention in organizations; thus, it may develop motivation in employees and it may become element of HPWS.

There is linear relations between HPWS and firm performance. But how? What is the assumption? HPWS

may leverage firm performance by developing positive organizational attitudes and behaviours and new skills. Because apply of HPWS over talented employees develops new skills in employees. Firms must apply HPWS to talented employees to improve their individual performance like coaching. Coaching might be a practice of HPWS. In HPWS managers or supervisors teach employees how to implement their job responsibilities. This is strategic advisor role.

HPWS is similar to individual HRM practices. However, there are elements around HPWS practices. In HR system HRM practices are interrelated among to apply over talented employees. It is assumption that HR manager may apply HR system and HPWS over talented employees so that employees may become managers in near future.

Boon et al. (2019) say that elements of HPWS are critical to apply HPWS over talented employees. Thus, HR managers are to determine elements of HPWS. What are elements of HPWS? HR managers are to determine those elements. For example, incentives, benefits, and performance-based wage might be elements of compensation systems in HPWS. HPWS is defined as elements related to HRM practices such as HR planning system, staffing systems, performance systems, career systems, others. There are elements around those systems, and it is duty of HR managers to determine those elements, and apply to talented employees. Organizations must target talented employees in applying HPWS. For example, coaching and mentorship may be elements of HPWS or incentives. According to Wood and de Menezes (2011), most important HPWS element is incentives, because incentives are related to employee well-being.

For example, there are five HRM practices in a set of HPWS as elements. They are succession planning, performance appraisal, organizational commitment, career planning, and compensation. This is talent management systems in HPWS. Who will become manager in future? This is main question of HRM. Therefore, succession planning is included in talent management system. In this system, HR manager determines talents in organization through performance appraisal. Career planning develops organizational commitment, and compensation policies make talents stay in organization.

HPWS is introduced to SHRM research by Mark Huselid in 1990s. What might be high performance work systems in USA? Material requirement planning (MRP), product tree, enterprise resource planning (ERP), business to business (B2B), Gant Diagrams, financial leverage, balanced scorecards, 6 Sigma, others may be example of HPWSs. Because Boxall and Macky (2009) consider HPWSs as work practices, it is duty of HR to develop new skills in employees to implement those methods of HPWSs such as digital age. Digital age may be sample of HPWS, and employee is needed new skills to use digital frameworks. Further, HPWS in Europe may be personnel management (PM), because PM appeared in Europe in 19th century. Today there is also human resource management. Therefore, European firms apply p-HRM (personnel human resource management) as HPWS practice. Firms in Europe may implement PM and HRM together, because HRM takes over HRM practices from PM. Firms may achieve employee satisfaction and happiness by p-HRM, because social welfare possesses priority in Europe.

There are two key points for HPWS: elements and skill development. HPWS affects employee well-being such as job satisfaction; therefore, HPWS affects individual performance. Further, Wood and de Menezes (2011) say that teamwork is one practice of HPWS, because business professionals are involved with top management through teamwork. Managers are involved with top management and firm's interests through board membership. Therefore, total quality management (TQM) is related to HIWS. For example, teamwork, quality circles, Gemba, Kaizen are sample of TQM in HIWS.

HIWS

On the other hand, firms may apply high involvement work practices (HIWS) together with HPWS to impact firm performance, because elements of HPWS increase individual and job performance of talented employees and HIWS is related to strategic partner role of HRM. In strategic partner role, HRM department affects appointment of managers at top level management. HRM may also affect HR-related to decisions at top level. So, in HIWS, HRM must be member of board of directors to affect managerial appointments and HR-related to decisions. Board membership is key practice of HIWS.

In HIWS HR managers' involvement with top management is important. HR managers must affect HR-related decisions at top level. Thus, HR managers must be member of board of directors. Board membership may provide HR managers to affect HR-related decisions and to intervene appointment of managers. This study discusses science-practice gap in SHRM field. Huselid in 2000s says that if firms apply HR system or HPWS, science-practice gap will be closed. It is expected that HR managers apply HR system and HPWS in corporate. Thus, this study replaces HR managers at the core of HRM system, HPWS, and HIWS. After board membership, teamwork might be a practice of HIWS. Board membership enables managers to achieve HIWS, and teamwork enables professionals to achieve HIWS.

Conclusion

First dimension of SHRM is firm performance introduced by Patrick M. Wright in 1992; second dimension of SHRM is HR systems. Who will be responsible for setting up HR systems in organizations? Answer might be HR manager or Strategic HR Director, because HR manager achieves interactions and elements in interrelated HRM practices. To achieve interactions HR manager needs to develop internal fit. Elements mean "bağlaç" in Turkish, maybe "connect" in English. Elements are connected practices related to HRM practices. These connections improve employee ability and organizational attitudes. i.e., in HPWS there are interconnected HR-related practices. Elements mean that it is part of HRM practices. For example, job advertising is part of recruitment strategy. According to Lengnick-Hall et al. (2009), evolution of SHRM field is depended on HR system. Thus, firms must apply HR system to close science-practice gap.

Nishii and Paluch (2018) talk about desired employee behaviors. For example, HR systems develop organizational commitment of employees that increases individual performance. Most signal of individual performance is job definitions. Employee effectively implements requirements of job definitions together with HR systems and HPWS.

HPWS is implemented by HR managers and line managers in organizations. HR manager elects talents inside organization, and applies HPWS for talented employees to increase their job performance through skill development. Aim of HPWS is to donate talented employees with new skills.

Managers are key to HRM. HR manager and line managers implement HR practices in organizations, and top manager's support is important to achieve organization goals of HRM practices. Further, it is important in USA to manage HR with cognitive knowledge. For example, HR managers need cognitive approach to effectively implement forced distribution method in performance management. Thus, forced distribution method can be element of performance assessment system in HPWS. Therefore, HR managers must be senior to effectively play strategic advisor role with line managers.

HR scholars sometimes say firm performance or organizational performance. If HRM or employees or

managers affect profit and market share, HRM may be identified with firm performance. If HRM practices lead to positive OBs (organizational behaviors), HRM may be identified with organizational performance. That is, HRM practices affect organizational performance through positive OBs. For example, customer satisfaction, employee satisfaction, total quality management are sign of organizational performance. Lengnick-Hall et al. (2009) relate HRM practices with organizational performance. Moderator in this relation is positive OBs.

In conclusion, there are two major keywords in American HRM: HR systems and performance. There may be one keyword in Turkish HRM, which is to develop positive OBs in employees through applying HRM practices, because scholars always emphasize HR system in SHRM research. Third keyword is maybe fit. Fit is necessary in HR system. In addition, American HR scholars discuss resource-based view of the firm in SHRM research, because employees are most impactful resource of firms, because HR or employees are candidate of becoming intellectual capital, human capital, and core competence of firm that makes HR critical resources.

What is HRM? HRM is to apply HRM practices. What is SHRM? SHRM is to achieve firm performance. Firms achieve performance through managers and professionals. Therefore, HRM is to intervene appointments of managers. In Turkey HRM practices are applied to obtain positive OBs, and in USA firms apply HRM practices to achieve individual performance. SHRM is firm performance (e.g., market share). All efforts in HRM go to achieve performance. For example, HRM practices, positive OBs, appointment of managers, and individual performance are applied to achieve firm performance. Model of SHRM is as follows:

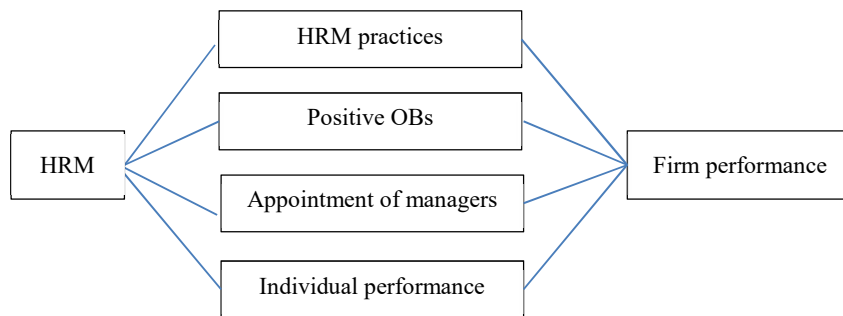


Figure 1. Moderators of SHRM in HRM-firm performance relationship.

Limitations

This study scans articles of well-known authors in 1990s, because foundations and basics of HRM and HR systems go back to these years. Science-practice gap is closed in HRM field in 1990s. Thus, readings of those articles may be critical to understand root and development of HRM and SHRM.

Implications for Future Practices

Key factor in applying HR systems is fit. It is duty of HR manager to achieve external and internal fit. HIWS enables HR manager to achieve external fit, and to establish HR bundles or interrelated HRM practices enables HR manager to set up internal fit.

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