

Core of HR Strategy: System Thinking and HRM*

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Research topic of study is to explore system approach in strategic HRM field. Assumption of study is that, strategic HRM may be applied in organizations by HR system set. In USA literature HPWS represents HR system thinking. This study explores HR system thinking in human resource management. Second assumption of study is that, HR manager must have system approach in HRM. HRM practices are applied through individual in HRM; however, HRM practices are applied through interrelation in SHRM to have more impact on performance. HR system is bundle, according to MacDuffie's study (1995). In addition, Huselid (1997) suggests application of HPWS in HR system. Study adopts case study methodology. Methods are career management system and performance management system. Research question is how a firm sets an HR system and strategic HRM in its organizational structure. Main conclusion is that HR systems might be applied in organizations through interrelated HRM practices. To achieve this purpose, HR manager must have HR system thinking in application of HRM.

Keywords: HR system, HPWS, interrelated HRM practices, performance, MacDuffie, Huselid

Introduction

Strategic human resource management (SHRM) included two definitions so far: First definition is made by Devanna, Fumburn, and Tichy (1981), which is link between human resource management and strategic management. HRM contributes to firms' goals for sustainable competitive advantage. Second definition is made by Wright and MacMahan (1992). It describes link between HRM and organizational performance. There is wide discussion in literature about moderators between HRM and firm performance. For example, Huselid (1997) discusses HRM-firm performance relationship with high performance work systems (HPWSs), i.e., HR system has an effect on firm performance.

Devanna et al. (1981) discussed the causes of turn from personel management to human resource management. Main cause might be "economic shifts". In 1970s international competition increased from Asia, especially from Japan. Therefore, firm perceived personnel as resources to become more competitive. Secondly, in American literature of firm management, determination of involvement with strategy is key for organizational success. Therefore, human resource management gained strategy perspective during 1980s, i.e. human resources involvement with strategy development and executions.

This study considers HR system in SHRM. Accordingly, a firm applies strategic HRM in its organization through HR system. Huselid (1997) figures HR system by HPWS. An HPWS model might be established as

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follows:

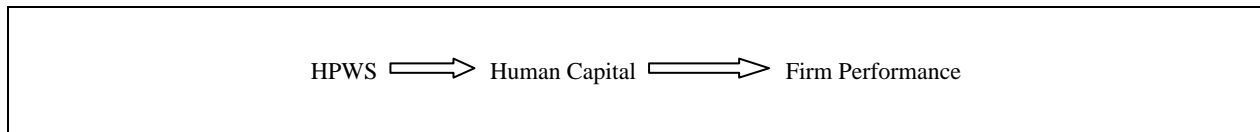


Figure 1. HPWS model.

According to Figure 1, HPWS is applied in organizations to have human capital and because it is assumed that human capital enhances individual performance. Huselid and Becker (1997) proclaim that HPWSs reinforce employees' skills and behaviours. Further, HPWS is system that contains recruitment and selection, performance management, incentive compensation, and employee training and development.

High Performance Work System

HPWS is a set of HRM practices. MacDuffie (1995) identifies HR system as HR Bundles. Bundle means interrelated HRM practices. Furthermore, MacDuffie (1995) mentions about Huselid (1993) and Ichinowski (1991)'s studies that find positive relationship between HR system and performance. Simmons (2011), professor of management, identifies HPWS as interconnections between HRM practices. Therefore, fit approach is important in HPWS system: fit between HRM practices, and fit between HRM and objectives. For example, connection between pay system and performance appraisal may have an impact on individual performance.

Aim of HPWS is to enhance employee effectiveness. HPWS represents integrative approach between HRM and firms' objectives (Brown, 2006; Parsons & Necochea, 2007). Secondly, HPWS is related with performance. Thirdly, fit approach is suitable for HPWS system. There are internal fit and external fit. Internal fit is related with congruence between HRM practices to which congruence establishes interrelationship among HRM practices. External fit is fit between HRM and organizational objectives.

Wei and Lau (2010) explore mediator between HPWS and firm performance. They find that adaptive capability becomes mediator between HPWS and firm performance. Adaptive capability sets for institutional environment in HPWS. HPWS is related with human capital. Both HPWS and human capital increase individual performance of employee. Human Capital may be defined as schooling and work experience. Therefore, firms apply HPWS system in organization to enhance human capital of employees. HR system is defined by HR bundles by MacDuffie (1995), who assumes that HR bundle is interrelationship of HRM practices. In HRM, HRM practices are applied through individual. However, for SHRM, HRM practices are applied through interrelation.

Research Methods

Huselid and Becker (1997) suggest that HPWS is related with HR system, which comprises of interrelated HRM activities. Case Study technic is used in the study. Career management and performance management systems are explored for HR system, and those systems symbolize interrelationship between HR system.

Case studies are applied through performance management and career management systems in this study. Firms may implement career management system by applying career mapping, career planning, and career advise as bundle.

Case Study I: Career Management System

Career Planning, Rotation, Career Maps, Career Plato, and Training may establish career management systems in organizations. First of all, firm determines career employees (i.e., star employees). Then, firm develops career planning for star employees. It may use career map methodology for stars to prepare career plans. In career management, employee may join training and education programs for career development. Rotation programs might become another career development activity. Rotation might be described with learning by doing or internship. Firms may pay attention for career plato issue in career planning. That system may establish career management system in firms.

Uysal (2016) suggests “cognitive placement” method in career planning to find star employees and firm may implement performance management system for star employees. In addition, firm may apply career development program for star employee.

Case Study II: Performance Management System

Performance evaluation, assessment centers, training, career planning, and compensation policies are interrelated HRM practices in performance management. In cognitive placement, there is top group of employees, and there is lowest group of employees, to which they have bad performance grade in organizations. Organization may develop performance management policy for bad groups, and for top groups. Organization may prepare career plan for top employees, they may attend training programs and top employees may obtain performance-based higher compensation. That might be performance management system in organizations.

Research Results

Major finding of this study is that firm may apply HR system in its organization through interrelated HRM practices, which is performance management and career management systems in this study. Further, for application of HR system, HR manager of company must possess system thinking for HR.

Conclusion

Firms may implement HR system in their organizations thorough application of HR system. Because HR system (HPWS) has an impact on performance more than individual HRM practices. Thus, HR manager must have HR bundles perspective for managing human resources.

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